



# Annual Report

## 2021



**KUKE**  
Grupa PFR

Znajdujemy  
możliwości





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## Letter from the President of the Management Board



**Dear Sirs and Madams, Dear Stakeholders,**

In the first weeks of this year, as expected for 2022, the summary of KUKE's operations and the market situation promised to be definitely optimistic, despite certain challenges in the economy emerging on the horizon or the ominous rumble heard in the geopolitical sphere. The coronavirus was in retreat, the macroeconomic data placed Poland among EU leaders, we achieved a sound surplus in foreign trade owing to the go-getting energy of our exporters, and the sector of enterprises recorded fantastic results and profitability at record low rates of insolvency. Unfortunately, after the global disaster that the pandemic was, which was overcome by joint efforts and co-operation among the states, the tragedy of Russian invasion of Ukraine came, which again brought divisions, chaos and uncertainty to lives of people, societies and businesses, producing further crises around the globe and presenting prospects for the new world order.

We began 2021 in uncertainty and the key question was if the coronavirus could be overcome relatively quickly. But here at KUKE we had another issue on our minds: how quickly we

could provide our customers with solutions resulting from the export support system that had been introduced in the first year of the pandemic. We managed to achieve our goal in the first half of 2021, when full documentation was developed and when key instruments were introduced to our product portfolio: guarantees securing the repayment of loans financing investments that increase the domestic manufacturing potential of the exporter, working capital guarantees. Insurance of loans for foreign investments, and the "Shop in Poland" solution, which allows Polish suppliers and contractors to take part in international projects and facilitates establishment of business relations with buyers of Polish products, technologies and services. The flagship example of 'Shop in Poland' was KUKE's participation in the financing of presence of Polish companies in construction of over 60 maternity wards in Ivory Coast.

This system of solutions that is innovative on the European scale is ultimately aimed at exporters, but reaches the exporters through banks which finance their transactions, by mobilizing additional capital and credit potential to expand trade finance operations and to increase the scale of financing for domestic investments. This process was crowned by agreements of co-operation on introduction and offering of such solutions to Polish enterprises that were signed first with the Polish Banks Association, and then with individual banks, also foreign banks. For KUKE, the export support system is also a chance to maintain and even increase KUKE's scale of business in 2022, given the fact that due to the war it has become more difficult to function in eastern markets that used to be of crucial importance for KUKE and for KUKE's clients.

The delayed World Expo in Dubai was an opportunity for KUKE to intensify its operations in the Middle East, Arab and African markets. We actively participated and mediated in meetings of the Polish business with local companies; we signed two co-operation and reinsurance agreements with our counterpart from the United Arab Emirates (Etihad Credit Insurance), which also operates in a number of African countries,

and we signed an agreement with the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), an institution which operates in 47 member countries of the Organisation of Islamic Cooperation. It is also worth stressing that in September 2021 we entered into a co-operation agreement with our partner in Ukraine.

The "GAP EX" and "Policy Beyond Borders" insurance introduced by KUKÉ year earlier provided a strong support to exporters.

At the beginning of the year, the domestic market which accounts for around 2/3 of the value of insured turnover and gross premium of KUKÉ, posed a number of questions as far as the market situation and the resilience of the enterprise sector to market turmoil was concerned. It transpired that the strong economic rebound, sustained aid programmes for businesses, strong domestic and international demand, and new legal regulations protected us from a wave of payment gridlocks and bankruptcies, while the relatively small scale of insolvencies positively translated to a record-low claims ratio for KUKÉ. The growing inflation contributed to a considerable increase in the level of insured turnover, which was also driven by acquisition of new customers drawn by KUKÉ's pro-business oriented approach during the most difficult times of the pandemic.

In 2021, having foreseen turbulence in global markets, we focused on fine tuning the product offering for exporters, being aware of the future importance of these instruments when the world recovers from crisis and the new stage of competition

for market position begins. The product portfolio aimed at the domestic market was expanded by modern online tender bonds, which was a signal that KUKÉ wanted to focus even more of its attention on the bond and guarantee segment of the insurance market.

The commitment, creativity and high competencies of the entire KUKÉ Team that was able to make use of the market situation that is not always favourable translated into record results of the company. Insured turnover came to nearly PLN 100 billion, the gross written premium from the commercial business segment increased by 17 per cent to PLN 145 million, and the net profit reached nearly PLN 18 million after an increase by 25 per cent and after establishing mandatory provisions for more difficult times ahead. Despite the growing prices and salaries, the costs incurred by KUKÉ dropped slightly on a year on year basis. As a result, the profitability indicators improved, and the ROE grew to 6.0 per cent from 5.6 per cent in the previous year. The Company met all prudential standards required by law with regard to insurance activities.

I would like to thank all our employees for their fantastic work during the past year, and consequently their work for the benefit of Polish enterprises, which use various insurance and bond facilities, in domestic and international trade on a daily basis. These instruments make an ecosystem for the safe growth of Polish entrepreneurs. We promise to continue to support Polish business. I hope that the war in Ukraine and the pandemic will end soon and Polish companies will safely grow in strength with KUKÉ's assistance.

**Janusz Władyczak**

CEO and President of the Management Board

## Introduction

In 2021, **revenues from the sales of policies and bonds granted** within the commercial insurance sector and the State Treasury-backed insurance line reached the historic level of **PLN 259.35 million, 17.9%** higher than in 2020. This increase for the said lines was 17.3% (PLN 145.12 million of the premium) and 18.7% (PLN 114.23 million of the premium) respectively. The highest year on year increase in premiums was recorded for Class 14 credit insurance (22.5%), short-term insurance (39.2%), and medium- and long-term insurance backed by the State Treasury (27.2%).

2021 was a record year in terms of the **volume of transactions insured**. KUKE covered **PLN 97.53 billion** in receivables and bonds, **42.5%** more than a year before. This increase was related to the commercial insurance segment of KUKE's business activities (PLN 91.53 billion of insured turnover, year on year increase by 43.9%), and the State Treasury-backed insurance line (PLN 6.00 billion in insurance value, year on year increase by 24.4%). The highest growth rate was recorded for credit insurance in the commercial area (44.4%), with PLN 90.75 billion in the value of turnover insured.

KUKE closed year 2021 with a positive **balance on the technical account** of PLN 28.68 million, three times higher than a year before. In accordance with the accounting principles of the insurer, KUKE set up equalization provisions in Class 14 (PLN 23.27 million), to secure the increase in the claims ratio in the years to come. The final balance on the technical account 2021 was **PLN 5.49 million**, which was **50.9%** higher compared to 2020.

KUKE earned **PLN 17.78 million in net profits** compared to PLN 14.19 million in 2020 (year on year increase by **25.2%**), reaching one of the highest levels in the 30 years of KUKE's operations.

This year also marked an increase in the net earned premium (13.7%) and a further decrease in KUKE's net claims ratio (from 37% in 2020 to 24% in 2021, including from 43% to 18% in class 14 of insurance). The 14.4% increase in the positive balance of revenues and costs on insurance backed by the State Treasury from PLN 8.39 million (2020) to PLN 9.59 million (2021) also contributed to improvement of financial parameters of KUKE in the past year.



## Organisation

### 3.1 Shareholders and Share Capital

As at 31 December 2021, the share capital of KUKE was PLN 135,938,900 and was divided to 1,359,389 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 2020 did not change and as at 31 December 2021 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 2021, the Supervisory Board of KUKE consisted of:

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

On 10 May 2021, the Ordinary General Meeting of Shareholders of KUKE recalled Ms Aneta Falek from the Supervisory Board of KUKE and appointed Ms Wioletta Krason to the Supervisory Board of KUKE for the joint term of office.

In connection therewith, the Supervisory Board was composed of:

- Adam Barbasiewicz - Chairman of the Supervisory Board
- Piotr Kaflik
- Maciej Krason
- Luiza Modzelewska
- Paweł Pietrzak
- Wojciech Rząsiecki
- Mariusz Sokołowski

On 6 July 2021, Ms Luiza Modzelewska resigned as a member of the Supervisory Board of KUKE.

Until the end of financial year 2021 the Supervisory Board of KUKE was composed of:

- Adam Barbasiewicz - Chairman of the Supervisory Board
- Piotr Kaflik
- Wioletta Krason
- Paweł Pietrzak
- 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 (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:

- Wojciech Rząsiecki - Chairman
- Adam Barbasiewicz
- Mariusz Sokołowski

There were no changes of members of the Audit Committee during the financial year of 2021.



### 3.3 Management Board

In the period from 1 January 2021 to 31 December 2021 the Management Board of KUKE was composed of:

- 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 Intra Organizational Changes

In December 2021, changes were implemented in the organizational structure of KUKE. The following Divisions were reorganized:

- the Operations Division, where a separate organisational unit of Claim Settlement Department was extracted from the Customer Service Department,

- the Communications Division, where a separate organisational unit of Marketing and Customer Experience Department was established from the Communications Department.

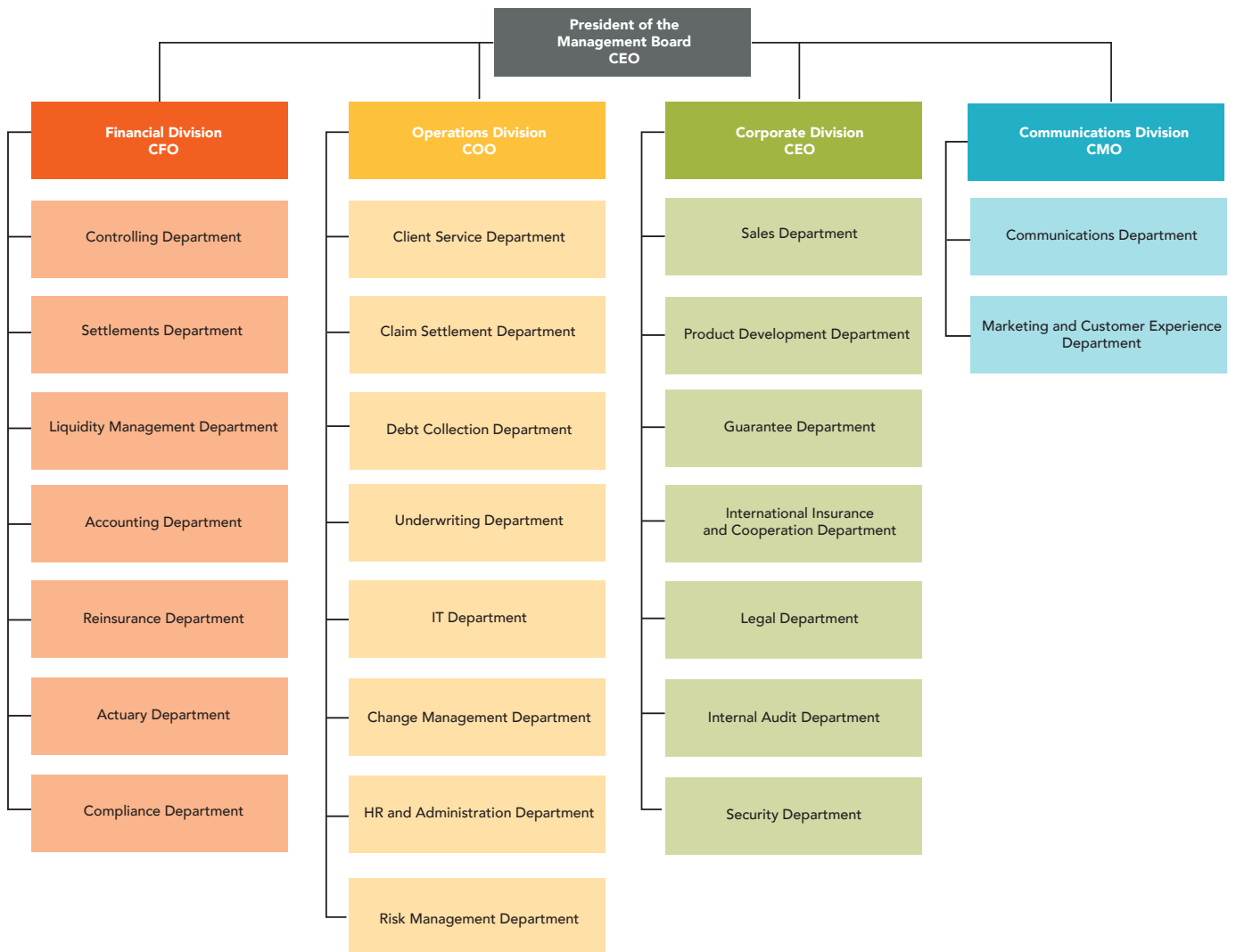
As at 31 December 2021, KUKE employed 182 persons working on the basis of contracts of employment.

### 3.5 Subsidiaries

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

As at 31 December 2021 the share capital of KUKE Finance was PLN 35,000,000 and was divided into 350,000 registered shares with the nominal value of PLN 100 each. KUKE is the sole shareholder of KUKE Finance.

KUKE's organizational structure as at 31 December 2021



## Performance of KUKE in Specific Business Areas

### 4.1 Overall Performance

In 2021, KUKE provided insurance cover for turnover worth a total of PLN 97,527.65 million, i.e. 42.5% more than a year ago.

The value of insured export turnover grew year on year by 37.5%. In 2021, it was PLN 30,918.23 million, of which commercial export insurance was PLN 25,277.26 million (an increase in the volume by 43.1%) and export insurance backed by the State Treasury totalled PLN 5,640.96 million (an increase in the volume by 16.9%).

The value of insured domestic turnover was PLN 66,609.42 million, an increase by 44.9% compared to 2020.

The geographical structure of export turnover covered by insurance and bonds (both commercial and State Treasury-backed insurance) was dominated by Germany (22.9%), just like in 2020. It was followed up by the Czech Republic (6.0%), Switzerland (5.7%) and the Netherlands (5.1%).

In 2021, KUKE signed 2,957 new insurance agreements and bonds, 5.6% more than in 2020, of which 1,693 related to commercial insurance (12.8% less than in 2020) and 1,264 related to insurance activities backed by the State Treasury (47.1% more than in 2020). In addition, 1,515 existing policies were renewed (820 related to commercial insurance and 695 related to insurance activities backed by the State Treasury), 4.5% less than in the previous year.

At the end of 2021 there were 5,376 active insurance agreements and bonds, an increase by 6.4% compared to the previous year. 3,590 insurance agreements and bonds originated from the commercial segment of KUKE's insurance activities (13.9% more than in 2020), while 1,786 policies and bonds

originated from the activities backed by the State Treasury (6.1% less than in 2020).

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

#### 4.2.1 Credit Insurance

In 2021, within the Class 14 credit insurance KUKE provided insurance cover for short-term export and domestic receivables worth a total of PLN 90,754.69 (44.4% more than in 2020).

133 new insurance agreements were signed, i.e. 57.6% fewer than in 2020. 820 existing insurance policies were renewed during the reporting period. Compared to 2020, the number of renewed policies in 2021 increased by 22.6%. As at 31 December 2021, there were 995 active insurance agreements, 1.1% fewer than in 2020.

Gross written premium related to insurance of short-term receivables totalled PLN 22.51 million, compared to PLN 99.99 million in 2020 (an increase by 22.5%).

In 2021, KUKE paid out 649 indemnities totalling PLN 16.62 million. Compared to the previous year, the value of indemnities paid out fell by 38.6%. 79.6% of the value of indemnities paid out in 2021 was related to unpaid liabilities by debtors from Poland. The rest 20.4% of indemnities were paid out in connection with the default of international business partners, among others from Lithuania (2.9%), Italy (2.1%) and Germany (1.9%).

As a result of recourse proceedings carried out in 2021, KUKE acquired inflows of PLN 4.32 million (23.6% less than in 2020).

The balance of gross provisions for outstanding claims (excluding provisions for estimated recourses) as at 31 Decem-



ber 2021 stood at PLN 19.16 million, compared to PLN 20.71 million a year ago (a decrease by 7.5%). As a result of exceeding the threshold of of PLN 1 million of a potential loss under an insurance policy within the Class 14 credit insurance, and the high probability of payment of the indemnity, a provision for unexpired risk for extraordinary losses was set up, which as at 31 December 2021 was PLN 1.64 million gross (no such provisions a were set up in 2020).

#### **4.2.2 Bonds**

In 2021, a total of 1,560 bonds worth PLN 774.00 million were issued. Compared to 2020, the number of bonds issued decreased by 4.2%, and the value of the guaranteed amount decreased by 0.5%. As at 31 December 2021, there were 2,595 active bonds, 21.0% more than a year before.

KUKE's remuneration for bonds issued in 2021 stood at PLN 22.61 million, a decrease by 4.5% compared to 2020.

In the reporting year, KUKE paid out 9 guaranteed amounts totalling PLN 1.47 million. Compared to 2020, this value grew by PLN 1.19 million (424.5%). Furthermore, in 2021, a total of PLN 0.28 million in receipts from recourse proceedings were obtained from bond payouts from previous years, compared to PLN 0.63 million of recourse receipts in 2020 (year on year decrease by 55.2%).

Following the setting up of the IBNR provision, gross provisions for outstanding claims (without provisions for estimated recourse) as at 31 December 2021 came to PLN 17.96 million (no such provisions a were set up in 2020).

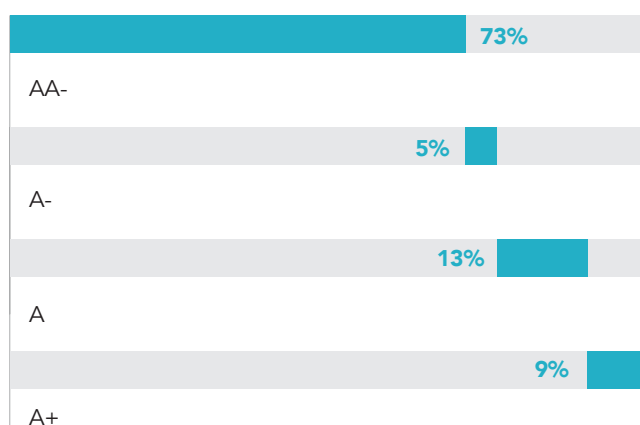
#### **4.2.3 Reinsurance**

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.

KUKE's reinsurance programme for 2021 comprised proportional quota share reinsurance with a 40% assignment and non-proportional excess of loss reinsurance to cover the risk retained by KUKE as part of the first reinsurance type, taking into account the priority of PLN 4.5 million (the amount of the priority was raised in 2021 to PLN 3.5 million). Full reinsurance cover consisting in mitigation of each risk to a maximum of PLN 4.5 million in 2021 is ensured for risks to the amount of PLN 165.78 million in class 14 and PLN 157.50 million in class 15 (increase by 25% compared to 2020).

#### Share of reinsurers participating in KUKE's reinsurance programme in 2021 subject to rating scores



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

In 2021, KUKE concluded a total of 815 insurance agreements in the scope of export contract insurance executed within a credit facility running up to 2 years, including 794 block policies (731 export contract insurance policies – non-marketable risk, and 63 short-term export receivables insurance policies KUKE GAP Ex and GAP Ex+), as well as 21 individual policies. During the year, 695 insurance agreements were renewed. The number of policies signed grew by 94.5% year on year, the

number of renewed policies decreased by 24.2% over the same period. As at 31 December 2021, there were 1,095 active insurance policies, 10.6% fewer than as at 31 December 2020.

The total value of insured turnover came to PLN 4,568.87 million, and was 31.5% higher than a year before. Block policies accounted for 99.59% of the volume of receivables insured by KUKE (PLN 4,550.19 million), individual policies accounted for 0.41% (PLN 18.68 million).

Ukraine (33.0%), Russia (25.8%) and Belarus (14.2%) had the largest share in the geographical structure of insured turnover. In 2021, the written premium on the aforementioned export contract insurance within a credit facility running up to 2 years stood at PLN 43.87 million in 2021, and was 39.2% higher than in 2020.

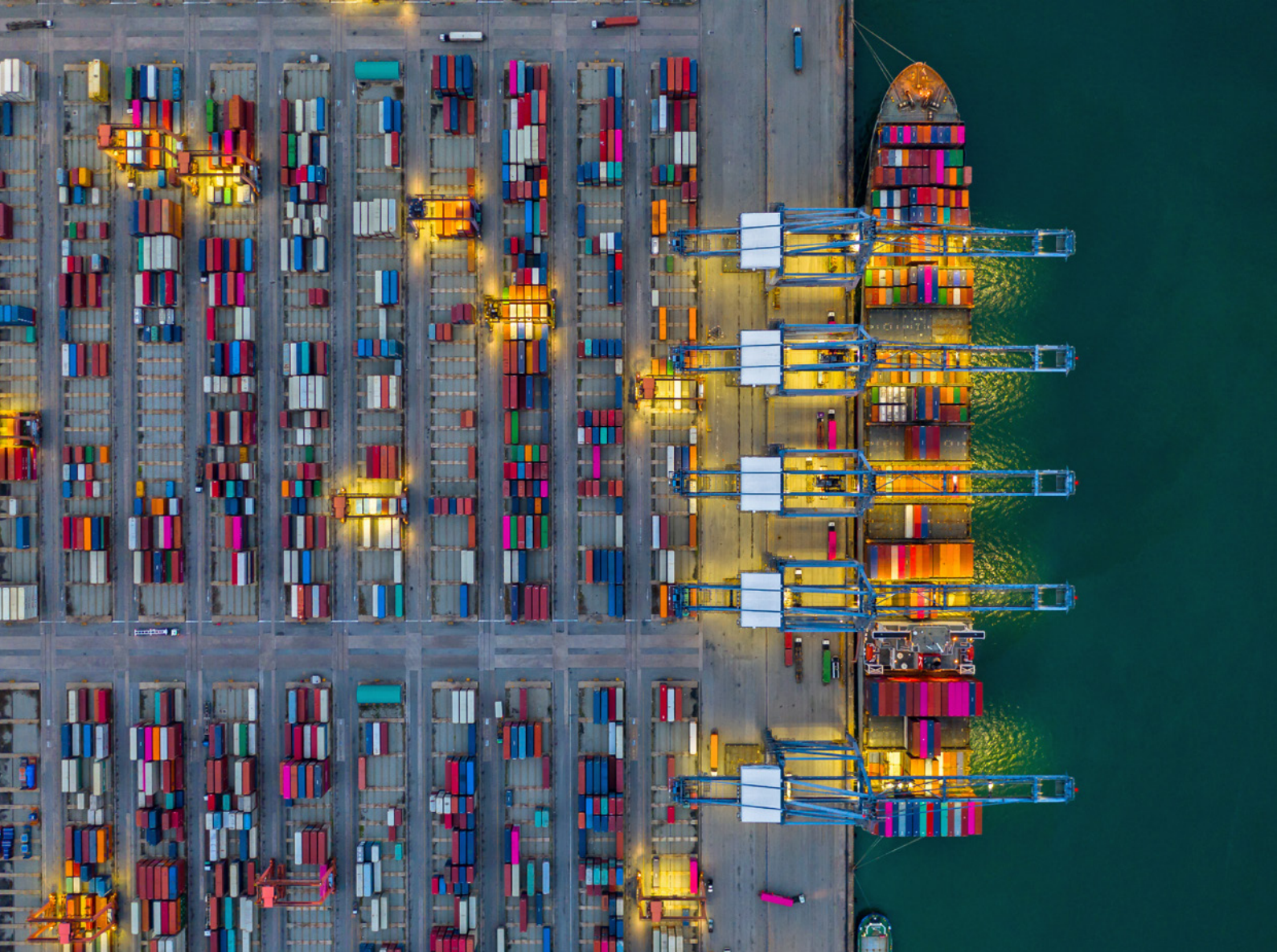
The European Commission decided to allow the use of governmental guarantees when insuring trade receivables in transactions with buyers from the European Union and selected OECD states for a subsequent period of three months. This meant that KUKE was able to offer the KUKE GAP Ex and GAP Ex+ State Treasury-backed insurance of short-term export receivables until 31 March 2022.

As part of medium- and long-term export contract insurance, KUKE concluded 11 insurance agreements and issued 1 insurance bond for a total of PLN 793.12 million and did not conclude any annexes that would increase the value of insurance agreements from the past.

The insurance agreements concluded and bonds issued in 2021 concerned 4 buyer credit facilities (granted by banks to borrowers from Belarus and a borrower from Côte d'Ivoire) and 7 supplier credit facilities (for deliveries of capital goods to Côte d'Ivoire, Mali, Switzerland and Uzbekistan) as well as one investment loan.

The total value of insurance cover granted in 2021 in respect to exports of capital goods and investments was 30.0% higher than the value recorded in 2020.

The written premium on medium- and long-term insurance agreements in 2021 stood at PLN 57.70 million, compared to PLN 45.36 million in 2020 (an increase by 27.2%).



In 2021, KUKE issued 437 bonds backed by the State Treasury, with the total value of PLN 636.96 million. By bond type, contract bonds accounted for 56.11% of the line (100 bonds worth PLN 357.41 million), bonds for payment of receivables under letters of credit accounted for 42.35% of the line (335 bonds worth PLN 269.75 million) and credit repayment guarantees accounted for 1.54% of the line (2 bonds worth PLN 9.80 million).

The remuneration on account of issued bonds and from the extended validity periods of bonds issued in previous years came to PLN 12.55 million in 2021, 34.8% lower than recorded in 2020.

KUKE did not conclude insurance agreements of direct investments abroad. During that time, the premium written on such

insurance was PLN 0.11 million and resulted from a one year renewal of an insurance agreement concluded in 2019.

In 2021, a total of PLN 5.96 million indemnities were paid out under insurance facilities backed by the State Treasury, which covered export contracts with payment terms not exceeding 2 years. Compared to 2020 there was a drop in the value of indemnities paid out by 90.1%.

In 2021, the balance of revenue from recourses on export insurance backed by the State Treasury totalled PLN 6.56 (compared to PLN 14.40 million in 2020).

## New Export Support System

The changing landscape of the international trade has forced a change in approach to supporting the international expansion of Polish enterprises. In 2021, KUKE introduced a new export support system, designed to provide Polish exporters and investors with a considerable leverage in international competition, and attract new capital and technologies to Poland. Such solutions are available in several European countries only.

Some of the export support system instruments are addressed directly to enterprises, but most of them are available through banks which service and finance business transactions of their clients. New solutions allow the banks to expand trade finance operations and increase financing of export-oriented domestic investments. In co-operation with banks, KUKE will be able to support exports and enterprises as early as at the planning stage of an export-related investment, by offering and underwriting financing for investments located in Poland, both to companies which are already exporters and those that are only getting ready to reach out through the investments. The instruments offered by KUKE may be also used by international companies, which manufacture in and export from Poland.

The key solutions implemented as part of the new export support system include:

**Bonds for export-generating investments in Poland** that secure up to 80% of the value of a loan incurred by a company for investments implemented in Poland, provided that they are targeted at export operations. This type of financing security can be used by exporters and enterprises wishing to become exporters, namely the companies which only plan their international expansion. This solution comes in two forms: "Invest and Export" – addressed to Polish exporters, and "Invest in Poland" – addressed to foreign investors wishing to develop their export business from Poland.

**Insurance of direct investment abroad** is designed for Polish enterprises which set up their manufacturing or logistic structures outside Poland and finance them with a bank loan. KUKE is able to secure up to 100% of such financing, and is able to secure financing of acquisition of foreign entities by Polish companies.

**"Shop in Poland"** is a solution that allows Polish suppliers to take part in major international investment projects and supports establishment of business relations with buyers of Polish products, technologies and services.

**Working capital bonds** secure up to 80% of financing of working capital for exporters and secure payments for individual suppliers or the entire supply chains. These bonds are available to companies which, for the period of past five years, are able to demonstrate average export revenue of at least 20% for three selected years.

## Corporate Social Responsibility

In 2021, KUKE initiated structured CSR actions for the first time and adopted the "KUKE's Policy of Corporate Social Responsibility". Six Sustainable Development Goals set out in the UN's 2030 Agenda for Sustainable Development have been selected for implementation:

- Good health and quality of life,
- Good quality of education,
- Economic growth and decent work,
- Innovation, industry, infrastructure,
- Climate actions,
- Partnership for the goals.

To ensure effective implementation of the CSR policy, KUKE joined a group of UN Global Compact signatories, an international platform that gathers entities which are actively involved in CSR actions and became a strategic partner of the Responsible Business Forum.

In September 2021, along with representatives of the government, local governments and business, KUKE signed a memorandum of understanding for the development of offshore wind energy. This is the first memorandum of understanding of this type in the European Union, initiated by the Ministry of Climate and Environment. KUKE has participated in the work on the memorandum of understanding since the project inception, namely since July 2020, by contributing the entire offering of insurance and guarantee products that can be used to implement and finance investments on one hand, and has shared experience in financing similar investments, such as specialised vessels to service or build wind farms on the other hand.

One of the signs of KUKE's social responsibility is participation in transactions for the public benefit, especially in lower income countries. This is particularly exemplified by insurance (together with a Danish export credit agency, EKF) of a loan worth €159 million for modernization of maternity wards in 62 hospitals in Ivory Coast. It is worth stressing that Polish companies will be involved in the project, thus gaining an opportunity of expanding their business in other African countries.

In July 2021, employee volunteering was initiated in KUKE. As part of grassroots initiatives, co-operation with the Children's Fantasy Foundation, the House of Social Welfare of the Education Worker and the Polish Red Cross was started. 44 volunteers worked for 307 hours for the local communities.



## 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 2021, in hierarchical order:

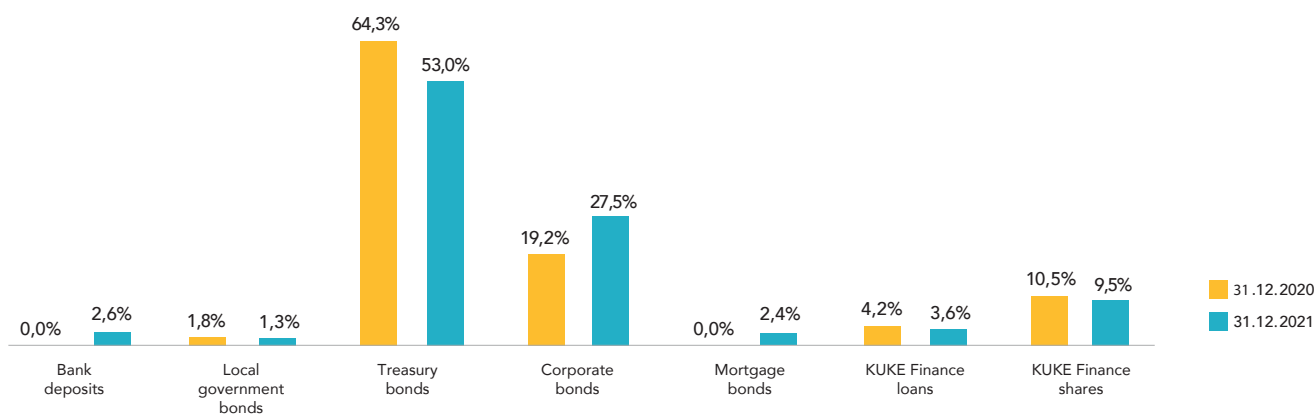
- observing the legal and statutory requirements;
- maintaining the maximum level of security of invested funds;
- maintaining liquidity to ensure the timely payment of commitments;
- ensuring the availability of the assets acquired; and
- maximising the profitability of deposited funds.

As in previous years, the policy of diversifying the investment portfolio was maintained in order to maximize its profitability, while maintaining the principle of limited interest rate and credit risk at the same time. In the early 2021 most of subordinate bonds of banks in the KUKE investment portfolio were sold. This decision was motivated by the increase in the credit risk following a possible adverse judgment of the CJEU for banks with a considerable exposure to Swiss franc loans. Treasury bonds and corporate instruments, including BGK bonds

backed by the Treasury issued for the COVID-19 Prevention Fund were purchased to replace the bonds sold. During the year, debt instruments of issuers with high creditworthiness were purchased, which also offered a higher rate of return than the bonds issued or guaranteed by the State Treasury. The end of 2021 changed the attitude of the Monetary Policy Council to interest rates, which, as a result of the improvement in the economic situation, were raised three times from 0.10% to 1.75% (main reference rate). These decisions improved the attractiveness of Treasury bonds, in particular those with a fixed interest rate. Given the increase in profitability of fixed interest bonds in the 5-year segment of up to 3.5%, Treasury bonds and BGK bonds backed by the Treasury were purchased for the "held until maturity" portfolio. At the end of 2021 the share of non-treasury debt instruments (with the BGK bonds backed by the Treasury) increased to 31.5% of the portfolio v. 21.0% at the end of 2020.

As at 31 December 2021, the value of the KUKE investment portfolio (without cash and own real property and advances towards such real property) was PLN 415.44 million.

### Structure of deposits





## Investment revenue by source

| Sources of revenue                  | 2020 (in PLN millions) | structure % | 2021 (in PLN millions) | structure % |
|-------------------------------------|------------------------|-------------|------------------------|-------------|
| Bank deposits                       | 0.02                   | 0.4%        | 0.01                   | 0.2%        |
| Treasury debt instruments           | 3.66                   | 62.5%       | 2.33                   | 50.0%       |
| Non-treasury debt instruments       | 1.44                   | 24.5%       | 0.69                   | 14.9%       |
| Loans to KUKE Finance               | 0.43                   | 7.4%        | 0.38                   | 8.1%        |
| Shares of KUKE Finance              | 0.24                   | 4.1%        | 1.25                   | 26.8%       |
| Shares listed on the stock exchange | 0.07                   | 1.2%        | 0.00                   | 0.00%       |
| <b>TOTAL</b>                        | <b>5.86</b>            | <b>100%</b> | <b>4.65</b>            | <b>100%</b> |

Differences in checksums are due to rounding

## Risk Management

In Q3 2021, as part of the ORSA process, the risk catalogue was reviewed and the following risks were identified::

- Actuarial risk
  - Premium risk
  - Provision risk
  - Risk of surrenders
  - Insurance/underwriting risk
  - Catastrophic risk
- Market risk
  - Interest rate risk
  - FX 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
- Reputation risk
- Competition risk
- 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 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,
- if the estimated level of risk exceeds 5% of KUKÉ's own 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 is discretionary.

Compared to the last year, the risk catalogue was modified. As a result of the review of models used in the operating activity, no material models used in KUKÉ's operating activity were identified. The model risk was assessed as marginal. In connection with the assessment, model risk was considered as a specific element of operational risk.

Methods of managing individual risks identified in the operations of the Company did not change compared to the previous ORSA review. The business risk is an exception. As a result of the annual review of the risk management system, the definition of business risk was changed and, consequently, the risk management process was updated.

## KUKE's Financial Results

### 9.1 Analysis of the Balance Sheet

KUKE's balance sheet total as at 31 December 2021 was PLN 594.79 million PLN and was 19.2% higher than as at 31 December 2020. (PLN 498.88 m).

#### Main items of the balance sheet

| ASSETS                                                         | 31.12.2020<br>PLN millions | share<br>%    | 31.12.2021<br>PLN millions | share<br>%    | change<br>2021/2020<br>PLN millions | change<br>2021/2020<br>% |
|----------------------------------------------------------------|----------------------------|---------------|----------------------------|---------------|-------------------------------------|--------------------------|
| Intangible assets                                              | 3.20                       | 0.6%          | 3.33                       | 0.6%          | 0.13                                | 4.0%                     |
| Deposits                                                       | 358.47                     | 71.9%         | 415.69                     | 69.9%         | 57.22                               | 16.0%                    |
| Receivables                                                    | 78.48                      | 15.7%         | 96.23                      | 16.2%         | 17.75                               | 22.6%                    |
| Other assets:                                                  | 39.21                      | 7.9%          | 55.33                      | 9.3%          | 16.12                               | 41.1%                    |
| including funds in a separate "National Interest" bank account | 22.82                      | 4.6%          | 51.82                      | 8.7%          | 29.00                               | 127.1%                   |
| Prepayments                                                    | 19.52                      | 3.9%          | 24.20                      | 4.1%          | 4.69                                | 24.0%                    |
| <b>TOTAL ASSETS</b>                                            | <b>498.88</b>              | <b>100.0%</b> | <b>594.79</b>              | <b>100.0%</b> | <b>95.91</b>                        | <b>19.2%</b>             |

| LIABILITIES                                                                                | 31.12.2020<br>PLN millions | share<br>%    | 31.12.2021<br>PLN millions | share<br>%    | change<br>2021/2020<br>PLN millions | change<br>2021/2020<br>% |
|--------------------------------------------------------------------------------------------|----------------------------|---------------|----------------------------|---------------|-------------------------------------|--------------------------|
| Equity                                                                                     | 286.63                     | 57.5%         | 302.81                     | 50.9%         | 16.18                               | 5.6%                     |
| Technical provisions (after taking into account reinsurers' share and estimated recourses) | 102.53                     | 20.6%         | 142.65                     | 24.0%         | 40.11                               | 39.1%                    |
| Other provisions                                                                           | 3.53                       | 0.7%          | 2.98                       | 0.5%          | -0.55                               | -15.6%                   |
| Other liabilities and special funds:                                                       | 83.16                      | 16.7%         | 122.16                     | 20.5%         | 39.00                               | 46.9%                    |
| including funds in a separate "National Interest" bank account                             | 22.82                      | 4.6%          | 51.82                      | 8.7%          | 29.00                               | 127.1%                   |
| Accruals                                                                                   | 23.03                      | 4.6%          | 24.20                      | 4.1%          | 1.17                                | 5.1%                     |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                                        | <b>498.88</b>              | <b>100.0%</b> | <b>594.79</b>              | <b>100.0%</b> | <b>95.91</b>                        | <b>19.2%</b>             |

Differences in checksums are due to rounding

## Assets

In the reporting year, intangible assets increased by PLN 0.13 million, (0.6% of the balance sheet structure), from PLN 3.20 million in 2020 to PLN 3.33 million in 2021.

Investments, the value of which compared to 31 December 2020 increased by PLN 57.22 million (16.0%), including investments in debt securities and other fixed-income securities by PLN 44.0 million and term deposits in credit institutions by PLN 10.71 million, had the highest share (69.9%) in KUKE's balance sheet total.

As the scale of the Company's operations grew, the value of receivables increased. As at 31 December 2021 it was PLN 96.23 million (16.2% of assets) and was 22.6% higher than a year before (by PLN 17.75 million), of which:

- receivables related to direct insurance, as a result of an increase in the premium volume, increased by 20.7% (by PLN 10.51 million),
- other receivables increased by 198.3% (by PLN 6.93 million), as a result of an increase in settlements of the commission charged by KUKE for offering Treasury backed insurance and an increase in budgetary receivables on the account of the corporate income tax.

As at 31 December 2021, the Company did not have any disputed receivables.

As at 31 December 2021 other assets totalled PLN 55.33 million and increased by 41.1% compared to 31 December 2020. Such a change mainly resulted from an increase in funds accumulated in the "National Interest" separated bank account, used for settlements related to activities entrusted to the Company under the Act of 7 July 1994 on Export Insurance Backed by the Treasury, from PLN 22.82 million (2020) to PLN 51.82 million (2021) (yoy growth by 127.1%). These funds accounted for 93.7% of other assets.

## Equity and liabilities

As at 31 December 2021 KUKE's equities totalled PLN 302.81 million and were 5.6% 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 50.9% compared to 57.5% at the end of 2020.

Technical provisions (accounting for the reinsurer's share and estimated recourse) totalled PLN 142.65 million, compared to PLN 102.53 million a year before (yoy increase by 39.1%), and accounted for 24.0% of the structure of liabilities.

The highest year on year increase in technical provisions was recorded for:

- the equalization provision (following a positive technical result on KUKE insurance in 2021) of PLN 23.19 million,
- provision for premiums and unexpired risk (in connection with an increase in the KUKE premium written and setting up a provision for unexpired risk for extraordinary losses for the policy in class 14 of the insurance), and reached PLN 9.76 million.

The value of other liabilities and special funds (20.5% share in the balance sheet total) increased year on year by 46.9%, from PLN 83.16 million (2020) to PLN 122.16 million (2021).

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 KUKE activities based on the Act on Treasury Backed Export Insurance (year on year increase by PLN 29.00 million),
- reinsurance liabilities (year on year increase by PLN 9.91 million).

The value of overdue liabilities was PLN 0.04 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 2021, just like in previous years, KUKE 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             | 1.69                     | 66.30%         |
| Receivables past due over 3 months to 6 months  | 0.16                     | 6.30%          |
| Receivables past due over 6 months to 12 months | 0.07                     | 2.70%          |
| Receivables past due over 12 months             | 0.63                     | 24.70%         |
| <b>TOTAL</b>                                    | <b>2.55</b>              | <b>100.00%</b> |

## Technical insurance provisions

| Technical insurance provisions<br>(after taking into account<br>reinsurers' share and estimated recourses) | 31.12.2020<br>PLN millions | share<br>%    | 31.12.2021<br>PLN millions | share<br>%    | change<br>2021/2020<br>PLN millions | change<br>2021/2020<br>% |
|------------------------------------------------------------------------------------------------------------|----------------------------|---------------|----------------------------|---------------|-------------------------------------|--------------------------|
| Provision for premiums and unexpired risks                                                                 | 82.48                      | 80.4%         | 92.23                      | 64.7%         | 9.76                                | 11.8%                    |
| Provisions for outstanding indemnities and benefits<br>(after taking into account estimated recourses)     | 10.60                      | 10.3%         | 14.43                      | 10.1%         | 3.83                                | 36.1%                    |
| Equalization provision                                                                                     | 6.15                       | 6.0%          | 29.34                      | 20.6%         | 23.19                               | 377.2%                   |
| Provision for bonuses and discounts for the insured                                                        | 3.31                       | 3.2%          | 6.64                       | 4.7%          | 3.34                                | 101.0%                   |
| <b>TOTAL</b>                                                                                               | <b>102.53</b>              | <b>100.0%</b> | <b>142.65</b>              | <b>100.0%</b> | <b>40.11</b>                        | <b>39.1%</b>             |

Differences in checksums are due to rounding

## 9.2 Analysis of the Technical Insurance Account and the Profit and Loss Account

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

|                                                                     | performance<br>Jan-Dec 2020<br>PLN millions | performance<br>Jan-Dec 2021<br>PLN millions | change<br>2021/2020<br>PLN millions | change<br>2021/2020<br>% |
|---------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|-------------------------------------|--------------------------|
| Net premiums                                                        | 47.62                                       | 69.12                                       | 21.50                               | 45.1%                    |
| Gross premiums                                                      | 123.67                                      | 145.12                                      | 21.45                               | 17.3%                    |
| Net claims                                                          | -17.56                                      | -16.33                                      | 1.22                                | -7.0%                    |
| Claims paid out, net of reinsurance                                 | -16.11                                      | -12.51                                      | 3.60                                | -22.3%                   |
| Change in the provision for claims outstanding, net of reinsurance  | -1.45                                       | -3.83                                       | -2.38                               | 163.9%                   |
| Bonuses and rebates, net of reinsurance                             | -1.72                                       | -6.68                                       | -4.96                               | 289.0%                   |
| Balance of other revenues and technical costs                       | 1.49                                        | 2.31                                        | 0.82                                | 54.6%                    |
| Costs of insurance activity                                         | -20.05                                      | -19.73                                      | 0.32                                | -1.6%                    |
| Acquisition costs                                                   | -19.41                                      | -23.77                                      | -4.37                               | 22.5%                    |
| Administrative costs                                                | -15.18                                      | -16.71                                      | -1.53                               | 10.1%                    |
| Reinsurance commissions and share in reinsurers' profits            | 14.54                                       | 20.75                                       | 6.21                                | 42.7%                    |
| Change in the equalization provision                                | -6.15                                       | -23.19                                      | -17.04                              | 277.2%                   |
| <b>TECHNICAL RESULT ON INSURANCE</b>                                | <b>3.64</b>                                 | <b>5.49</b>                                 | <b>1.85</b>                         | <b>50.9%</b>             |
| Balance of revenues and costs from investment activities            | 5.59                                        | 4.32                                        | -1.26                               | -22.6%                   |
| Balance of other operating income and expenses                      | 9.07                                        | 9.51                                        | 0.44                                | 4.9%                     |
| Balance of revenues and costs from State Treasury backed operations | 8.39                                        | 9.59                                        | 1.20                                | 14.4%                    |
| Gross financial result                                              | 18.29                                       | 19.33                                       | 1.04                                | 5.7%                     |
| Income tax                                                          | -4.10                                       | -1.55                                       | 2.55                                | -62.2%                   |
| <b>NET FINANCIAL RESULT</b>                                         | <b>14.19</b>                                | <b>17.78</b>                                | <b>3.58</b>                         | <b>25.2%</b>             |

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 2021 revenues from net earned premium (accounting for the change in provision for unexpired risk) were PLN 69.12 million, and were 45.1% higher than in 2020 (PLN 47.62 million) and 13.7% higher than planned. Gross written premium of PLN 145.12 million increased compared to 2020 by 17.3% (PLN 123.67 million) and accounted for 121.1% of the plan.

In class 14 of insurance, a 22.5% yoy increase in revenues in this scope was recorded, while in class 15 of insurance a 4.5% yoy decrease was recorded.

In the analysed period, net indemnities and benefits were PLN 16.33 million, compared to PLN 17.56 million in 2020 (yoy decrease by 7.0%). In 2021 indemnities and benefits net of reinsurance were PLN 12.51 million, compared to PLN 16.11 million in 2020 (yoy decrease by 22.3%). Compared to 31 December 2020, the level of provisions for unpaid indemnities and benefits net of reinsurance, with estimated recourse accounted for, increased by PLN 3.83 million as at 31 December 2021 (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 3.50 million net of reinsurance as at 31 December 2021),

compared to an increase in this item of PLN 1.45 million a year before. The plan for this item of net indemnities and benefits was achieved in 58.0% (PLN 28.16 million).

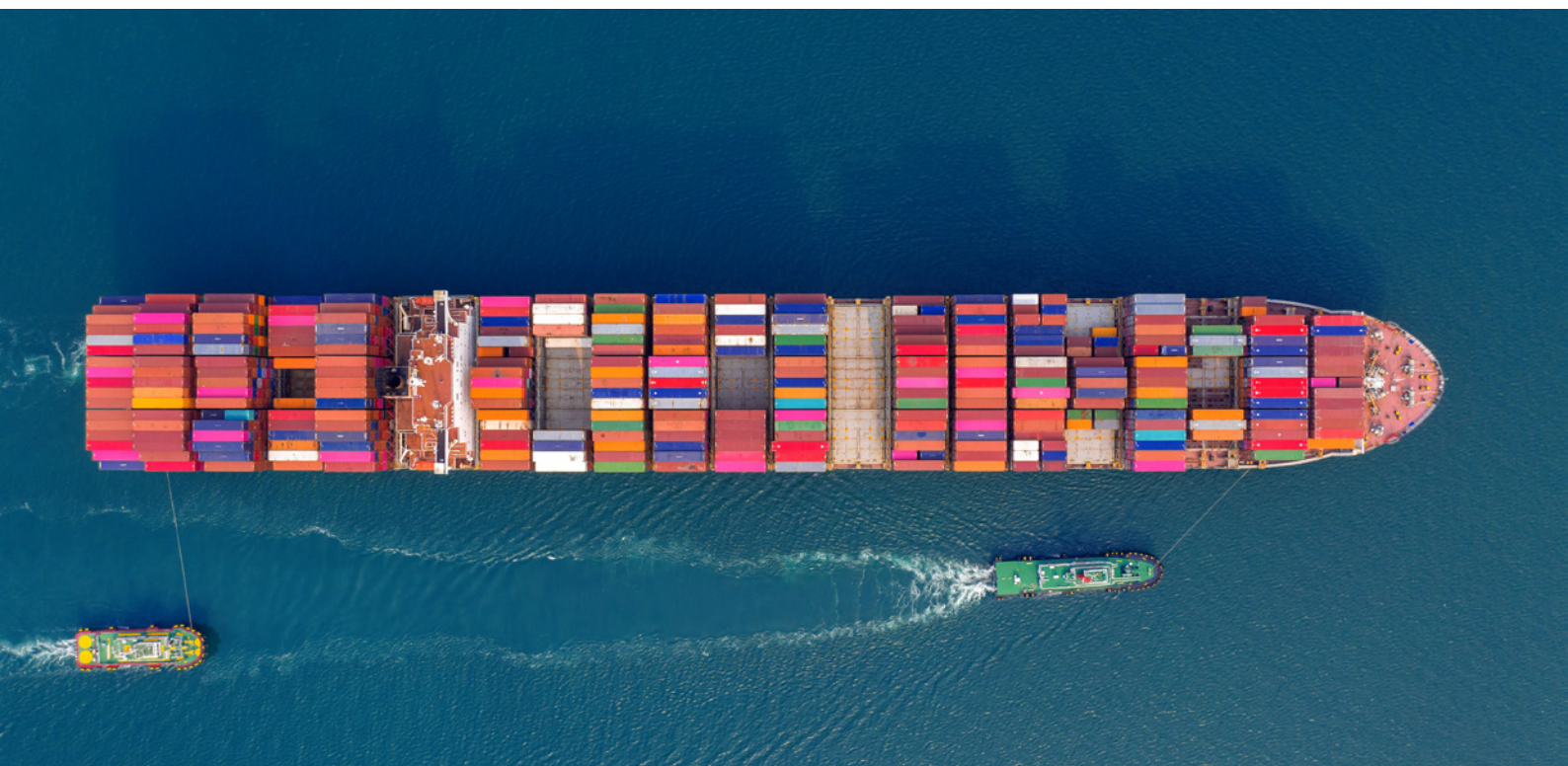
In 2021 the costs of insurance business was PLN 19.73 million compared to PLN 20.05 million recorded in 2020 (yoy decrease by 1.6%). The increase in the acquisition costs (by PLN 4.37 million, 22.5%) and administrative costs (by PLN 1.53 million, 10.1%) was neutralised by an increase in reinsurance commissions (by PLN 6.21 million, 42.7%). The plan of costs of the insurance business was achieved in 72.4%.

KUKE closed year 2021 with a positive balance on the technical account (before the change in the equalization provision) of PLN 28.68 million, three times higher than a year before (PLN 9.79 million), including PLN 31.02 million in class 14 and PLN -2.34 million in class 15. In accordance with the accounting principles of the insurer, as at 31 December 2021 KUKE set up an equalization provision in class 14 of PLN 23.27 million to secure the increase in the claims ratio in the years to come and dissolved PLN 0.08 million of such a provision (created at the end of 2020) in class 15. The total change in equalization provision (PLN 23.19 million) reduced KUKE's final balance on the technical account for 2021 to PLN 5.49 million. However it remained 50.9% higher compared to 2020 (PLN 3.64 million) and PLN 5.34 million higher than planned (PLN 0.16 million).

Net investment income (PLN 4.32 million in 2021) decreased year on year by 22.6% (PLN 5.59 million in 2020). Still, the value of investment income was 67.7% higher than planned (PLN 2.58 million).

The balance of other operating revenues and costs was PLN 9.51 million, and was 4.9% higher compared to 2020, and accounted for 513.4% of plan performance. The revenues and costs related to KUKE's offering of State Treasury backed export insurance improved this parameter, as its balance in the analysed period totalled PLN 9.59 million compared to PLN 8.39 million in 2020 (yoy increase by 14.4%) and compared to PLN 1.57 million recognized in the plan (609.3% target performance).

W 2021 KUKE recorded a gross financial result of PLN 19.33 million, compared to PLN 18.29 million in the previous year. Following current and future income tax charged on the result at PLN 1.55 million, the net financial result was PLN 17.78 million. Compared to 2020, the profit after tax increased by 25.2% (PLN 14.19 million), with plan performed at 478.4% (PLN 3.72 million).



## 9.3 Analysis of the Structure of Costs by Type

### Key groups of costs by type

| COSTS BY TYPE                           | performance<br>Jan-Dec 2020<br>PLN millions | performance<br>Jan-Dec 2021<br>PLN millions | change<br>2021/2020<br>PLN millions | change<br>2021/2020<br>% | share<br>Jan-Dec 2020<br>% | share<br>Jan-Dec 2021<br>% |
|-----------------------------------------|---------------------------------------------|---------------------------------------------|-------------------------------------|--------------------------|----------------------------|----------------------------|
| Depreciation and low-value fixed assets | 1.55                                        | 1.50                                        | -0.05                               | -3.4%                    | 3.6%                       | 3.2%                       |
| Materials and energy                    | 0.48                                        | 0.49                                        | 0.02                                | 3.3%                     | 1.1%                       | 1.1%                       |
| Rent                                    | 3.87                                        | 3.91                                        | 0.04                                | 1.1%                     | 8.9%                       | 8.3%                       |
| Connectivity services                   | 0.81                                        | 0.60                                        | -0.21                               | -26.3%                   | 1.9%                       | 1.3%                       |
| Third party services                    | 3.40                                        | 3.67                                        | 0.27                                | 7.9%                     | 7.8%                       | 7.8%                       |
| Advertising                             | 1.14                                        | 2.04                                        | 0.90                                | 78.7%                    | 2.6%                       | 4.3%                       |
| Business trips                          | 0.09                                        | 0.10                                        | 0.01                                | 7.5%                     | 0.2%                       | 0.2%                       |
| Remuneration with overheads             | 30.34                                       | 32.69                                       | 2.35                                | 7.7%                     | 69.9%                      | 69.5%                      |
| Employee benefits and training          | 1.19                                        | 1.47                                        | 0.28                                | 23.7%                    | 2.7%                       | 3.1%                       |
| Other costs                             | 0.54                                        | 0.53                                        | 0.00                                | -0.6%                    | 1.2%                       | 1.1%                       |
| <b>TOTAL</b>                            | <b>43.41</b>                                | <b>47.00</b>                                | <b>3.60</b>                         | <b>8.3%</b>              | <b>100.0%</b>              | <b>100.0%</b>              |

Differences in checksums are due to rounding

In 2021 KUKA's costs by type totalled PLN 47.00 million, which was an increase by 8.3% compared to 2020 (by PLN 3.60 million). The plan for costs by type was achieved in 88.6%.

In 2021, remuneration with overheads accounted for the highest share in KUKA's costs by type (69.5%), followed up by rent (8.3%) and third party services (7.8%). This structure is typical of financial institutions, and in the long run it is subject to minor fluctuations only.

Compared to 2020, the highest increase in terms of amounts was recorded in 2021 for the following cost groups:

- remuneration with overheads increased by PLN 2.35 million (7.7%), where personnel remuneration and commissions paid out to sales staff, determined by the Company's increase, increased by PLN 1.07 million (5.0%) compared to the previous year, and the costs of civil law contracts, caused among others by an increase in the number of Members of the KUKA's Management Board since December 2020, increased by PLN 0.67 million (40.2%).

- advertising increased by PLN 0.90 million (78.7%), mostly as a result of the costs of organization of conferences and congresses and Company's costs of promotion (increase by PLN 0.88 million, i.e. by 137.8%),
- employee benefits increased by PLN 0.28 million (23.7%), mostly as a result of the costs of KUKA financing training of employees and managerial staff (increase by PLN 0.23 million, i.e. by 217.9%),

By observing budget restrictions in KUKA's departments and given the adverse epidemic situation, cost performance was lower or similar in other classes compared to 2020 figures.

## 9.4 Analysis of Performance Indicators

### Selected performance indicators

| RATIO                            | DESCRIPTION                                                                                                                       | Jan-Dec 2020 | Jan-Dec 2021 |
|----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| <b>PROFITABILITY</b>             |                                                                                                                                   |              |              |
| ROE                              | net profit/equity*                                                                                                                | 5.6%         | 6.0%         |
| Return on insurance business     | technical result/written premium net of reinsurance                                                                               | 5.3%         | 7.0%         |
| Return based on gross premium    | profit after tax/gross written premium                                                                                            | 11.5%        | 12.2%        |
| Return rate net of reinsurance   | profit after tax/written premium net of reinsurance                                                                               | 20.8%        | 22.5%        |
| <b>CHANGE IN CLAIMS RATIO</b>    |                                                                                                                                   |              |              |
| Gross                            | (gross indemnities and benefits paid +/- change in gross provisions)/gross earned premium                                         | 29.3%        | 27.4%        |
| Net                              | (indemnities and benefits paid net of reinsurance +/- change in provisions, net of reinsurance)/earned premium net of reinsurance | 36.9%        | 23.6%        |
| <b>LEVEL OF OPERATING COSTS</b>  |                                                                                                                                   |              |              |
| <b>GROSS RATIOS</b>              |                                                                                                                                   |              |              |
| Total activities, of which:      | costs of insurance activity**/gross written premium                                                                               | 28.0%        | 27.9%        |
| acquisition costs                | acquisition costs/gross written premium                                                                                           | 15.7%        | 16.4%        |
| administrative costs             | administrative costs/gross written premium                                                                                        | 12.3%        | 11.5%        |
| <b>RATIOS NET OF REINSURANCE</b> |                                                                                                                                   |              |              |
| Costs of insurance activity      | costs of insurance activity*** /premium earned net of reinsurance                                                                 | 42.1%        | 28.5%        |

\* average for beginning and end of year

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

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

The above list of basic performance indicators shows improvement in the analysed management areas.

The lower level was recorded for claims ratio net of reinsurance (23.6% compared to 36.9% in 2020), and the gross premium base (27.4% compared to 29.3% in 2020) and for operating indicators, in particular net of reinsurance yoy, from 42.1% in 2020 to 28.5% in 2021. The gross operating indicator remained at a comparable level of 28.0% at the end of the previous period and 27.9% in 2021, with a slightly higher indicator of acquisition costs (yoy increase by 0.7 pp), compensated by a drop in the administrative cost indicator (from 12.3% in 2020 to 11.5% in 2021).

The profitability ratio based on gross premium in 2021 was 12.2% compared to 11.5% a year before. There was an improvement in profitability net of reinsurance, where the ratio was 22.5% compared to 20.8% in 2020. The change in the discussed measures was demonstrated by the improvement in the ROE ratio, which was 6.0% compared to 5.6% in the previous year.

As at 31 December 2021, the Company met all prudential standards required by law with regard to insurance activities.

## Assets (PLN 000s)

|                                                                                     | 31.12.2021     | 31.12.2020     |
|-------------------------------------------------------------------------------------|----------------|----------------|
| <b>Intangible assets</b>                                                            | <b>3,331</b>   | <b>3,205</b>   |
| <b>Deposits</b>                                                                     | <b>415,691</b> | <b>358,471</b> |
| <b>Real property</b>                                                                | <b>249</b>     | <b>0</b>       |
| <b>Investments in subordinated entities</b>                                         | <b>54,742</b>  | <b>52,519</b>  |
| Shares or interest in subsidiaries                                                  | 39,672         | 37,492         |
| Loans granted to subordinated entities and debt securities issued by these entities | 15,071         | 15,027         |
| <b>Other financial investments</b>                                                  | <b>360,700</b> | <b>305,952</b> |
| Debt securities and other securities with fixed income:                             | 349,972        | 305,935        |
| Deposits with credit institutions                                                   | 10,728         | 17             |
| <b>Receivables</b>                                                                  | <b>96,233</b>  | <b>78,479</b>  |
| Direct insurance receivables                                                        | 61,397         | 50,888         |
| Reinsurance receivables, of which:                                                  | 24,409         | 24,095         |
| Other receivables                                                                   | 10,427         | 3,495          |
| <b>Other assets</b>                                                                 | <b>55,329</b>  | <b>39,209</b>  |
| Tangible fixed assets                                                               | 2,222          | 2,676          |
| Cash                                                                                | 53,106         | 36,533         |
| <b>Prepayments</b>                                                                  | <b>24,204</b>  | <b>19,515</b>  |
| Deferred income tax assets                                                          | 6,360          | 3,579          |
| Deferred acquisition costs                                                          | 16,861         | 14,961         |
| Other prepayments                                                                   | 983            | 975            |
| <b>TOTAL ASSETS</b>                                                                 | <b>594,789</b> | <b>498,879</b> |

## Liabilities (PLN 000s)

|                                                                            | 31.12.2021     | 31.12.2020     |
|----------------------------------------------------------------------------|----------------|----------------|
| <b>Equity</b>                                                              | <b>302,811</b> | <b>286,634</b> |
| Share capital                                                              | 135,939        | 135,939        |
| Share premium                                                              | 111,975        | 98,541         |
| Revaluation reserve                                                        | 3,848          | 4,689          |
| Other reserves                                                             | 33,273         | 33,273         |
| Profit (loss) after tax                                                    | 17,777         | 14,193         |
| <b>Technical provisions</b>                                                | <b>230,870</b> | <b>169,529</b> |
| Provision for premiums and unexpired risk                                  | 153,337        | 137,158        |
| Provisions for unpaid claims and benefits                                  | 37,119         | 20,709         |
| Provisions for bonuses and rebates for the insured                         | 11,074         | 5,513          |
| Equalization provision                                                     | 29,340         | 6,148          |
| <b>Reinsurers' share in technical provisions (negative)</b>                | <b>86,228</b>  | <b>64,652</b>  |
| Reinsurers' share in the provision for premiums and for unexpired risk     | 61,102         | 54,679         |
| Reinsurers' share in the provision for claims outstanding                  | 20,696         | 7,766          |
| Reinsurers' share in the provision for bonuses and rebates for the insured | 4,430          | 2,207          |
| <b>Recourses and recoveries estimated (negative)</b>                       | <b>1,997</b>   | <b>2,344</b>   |
| Recourses and recoveries estimated, gross                                  | 3,358          | 3,944          |
| Reinsurers' share in estimated recourses and recoveries                    | 1,361          | 1,600          |
| <b>Other provisions</b>                                                    | <b>2,977</b>   | <b>3,526</b>   |
| Provision for pensions and other compulsory employee benefits              | 1,902          | 2,128          |
| Deferred tax asset provision                                               | 696            | 1,019          |
| Other provisions                                                           | 379            | 379            |
| <b>Other liabilities and special funds</b>                                 | <b>122,159</b> | <b>83,159</b>  |
| <b>Direct insurance liabilities</b>                                        | <b>7,527</b>   | <b>7,563</b>   |
| <b>Reinsurance liabilities</b>                                             | <b>56,455</b>  | <b>46,546</b>  |
| Other liabilities                                                          | 5,970          | 5,851          |
| Special funds                                                              | 52,207         | 23,199         |
| <b>Accruals</b>                                                            | <b>24,196</b>  | <b>23,027</b>  |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>                          | <b>594,789</b> | <b>498,879</b> |

## Technical Account - Property and Personal Insurance (PLN 000s)

|                                                                                    | 2021          | 2020          |
|------------------------------------------------------------------------------------|---------------|---------------|
| <b>Premiums (1–2–3+4)</b>                                                          | <b>69,115</b> | <b>47,617</b> |
| Gross written premiums                                                             | 145,120       | 123,673       |
| Reinsurers' share in the premium written                                           | 66,249        | 55,288        |
| Change in provisions for premiums and unexpired risk, gross                        | 16,178        | 34,560        |
| Reinsurers' share in the change in the provisions for premiums                     | 6,423         | 13,791        |
| <b>Other technical income net of reinsurance</b>                                   | <b>7,483</b>  | <b>6,883</b>  |
| <b>Claims outstanding (1 + 2)</b>                                                  | <b>16,334</b> | <b>17,557</b> |
| Claims paid out, net of reinsurance                                                | 12,507        | 16,107        |
| Change in the provision for claims outstanding, net of reinsurance                 | 3,827         | 1,450         |
| <b>Bonuses and rebates, net of reinsurance, including the change in provisions</b> | <b>6,678</b>  | <b>1,717</b>  |
| <b>Costs of insurance activity</b>                                                 | <b>19,729</b> | <b>20,050</b> |
| Acquisition costs                                                                  | 23,772        | 19,406        |
| Administrative costs                                                               | 16,710        | 15,184        |
| Reinsurance commissions and share in reinsurers' profits                           | 20,753        | 14,540        |
| <b>Other technical costs, net of insurance</b>                                     | <b>5,174</b>  | <b>5,390</b>  |
| <b>Changes in the equalization (risk) provisions</b>                               | <b>23,192</b> | <b>6,148</b>  |
| <b>Technical result of property and personal insurance</b>                         | <b>5,492</b>  | <b>3,639</b>  |

## General Income Statement (PLN 000s)

|                                                                       | 2021   | 2020   |
|-----------------------------------------------------------------------|--------|--------|
| Technical result of property and personal insurance or life insurance | 5,492  | 3,639  |
| Investment income                                                     | 6,181  | 5,824  |
| Unrealized gains on investments                                       | 0      | 238    |
| Investment charges                                                    | 1,858  | 476    |
| Other operating revenues                                              | 28,224 | 24,499 |
| Other operating costs                                                 | 18,713 | 15,432 |
| Profit (loss) on operating activities                                 | 19,327 | 18,291 |
| Profit (loss) before tax                                              | 19,327 | 18,291 |
| Income tax                                                            | 1,550  | 4,098  |
| Profit (loss) after tax                                               | 17,777 | 14,193 |

## Cash Flow Statement (PLN 000s)

|                                                                            | 2021           | 2020           |
|----------------------------------------------------------------------------|----------------|----------------|
| <b>Cash flows from operating activity</b>                                  | <b>71 522</b>  | <b>48 713</b>  |
| <b>Proceeds</b>                                                            | 309,321        | 346,989        |
| Receipts from direct activities and inward reinsurance                     | 140,556        | 119,106        |
| Proceeds from premiums, gross                                              | 128,812        | 106,892        |
| Proceeds from recourses, recoveries and returns of claims                  | 4,605          | 6,285          |
| Other proceeds from direct activities                                      | 7,138          | 5,929          |
| Proceeds from outward reinsurance                                          | 30,222         | 28,667         |
| Payments from reinsurers resulting from share in claims                    | 10,194         | 13,223         |
| Proceeds from reinsurance commissions and share in reinsurers' profits     | 19,828         | 14,692         |
| Other proceeds from outward reinsurance                                    | 200            | 753            |
| Proceeds from other operating activities                                   | 138,543        | 199,215        |
| Proceeds from the activities of the average adjuster                       | 0              | 0              |
| Sale of intangible assets and tangible fixed assets other than investments | 0              | 60             |
| Other receipts                                                             | 138,543        | 199,155        |
| <b>Expenses</b>                                                            | 237,798        | 298,276        |
| Expenses of direct activities and inward reinsurance                       | 86,982         | 85,377         |
| Claims paid, gross                                                         | 17,941         | 27,137         |
| Expenses related to acquisitions                                           | 32,643         | 27,314         |
| Administrative expenses                                                    | 24,360         | 22,190         |
| Costs of loss adjustment and costs of enforcement of recourses             | 5,030          | 5,047          |
| Other expenses from direct activities and inward reinsurance               | 7,009          | 3,689          |
| Expenses on outward reinsurance                                            | 57,658         | 49,514         |
| Expenses from other operating activities                                   | 93,158         | 163,385        |
| <b>Cash flows from investment activities</b>                               | <b>-54,381</b> | <b>-71,402</b> |
| Proceeds                                                                   | 2,870,159      | 1,290,682      |
| Expenses                                                                   | 2,924,540      | 1,362,084      |
| <b>Cash flows from financial activities</b>                                | <b>-568</b>    | <b>49,671</b>  |
| <b>Net cash flows, total</b>                                               | <b>16,573</b>  | <b>26,981</b>  |
| <b>Cash at the beginning of the period</b>                                 | <b>36,533</b>  | <b>9,551</b>   |
| <b>Cash at the end of the period (F±D), of which:</b>                      | <b>53,106</b>  | <b>36,533</b>  |
| - of limited availability                                                  | 52,162         | 23,166         |

## Solvency Parameters (PLN 000s)

|                                                                                             | 2021           | 2020           |
|---------------------------------------------------------------------------------------------|----------------|----------------|
| Share capital (including treasury shares)                                                   | 135,939        | 135,939        |
| Surplus from the sale of shares above their nominal value related to ordinary share capital | 43,837         | 43,837         |
| Reconciliation reserve                                                                      | 149,004        | 117,342        |
| Amount corresponding to the value of the net deferred tax assets                            | -              | -              |
| <b>Total basic own funds after deductions</b>                                               | <b>289,349</b> | <b>259,854</b> |
| Total amount of eligible own funds to cover SCR                                             | 289,349        | 259,854        |
| Total amount of eligible own funds to cover MCR                                             | 289,349        | 259,854        |
| <b>Solvency Capital Requirement - SCR</b>                                                   | <b>121,755</b> | <b>101,848</b> |
| <b>Minimum Solvency Requirement - MCR</b>                                                   | <b>30,439</b>  | <b>25,462</b>  |
| <b>Eligible own funds to SCR</b>                                                            | <b>238%</b>    | <b>255%</b>    |
| <b>Eligible own funds to MCR</b>                                                            | <b>951%</b>    | <b>1021%</b>   |

## Solvency Capital Requirement (PLN 000s)

|                                                              | 2021           | 2020           |
|--------------------------------------------------------------|----------------|----------------|
| Market risk                                                  | 18,517         | 18,967         |
| Counterparty default risk                                    | 3,965          | 3,325          |
| Insurance risk                                               | 128,092        | 107,798        |
| Diversification                                              | -14,571        | -14,317        |
| <b>Basic Solvency Capital Requirement</b>                    | <b>136,003</b> | <b>115,774</b> |
| Operating risk                                               | 4,528          | 2,673          |
| Adjustment for the loss-absorbing capacity of deferred taxes | -18,777        | -16,599        |
| <b>Solvency Capital Requirement</b>                          | <b>121,755</b> | <b>101,848</b> |





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