



Annual Report

2023

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Letter from the President of the Management Board



Dear Readers,

reflecting on the past year through the lens of the conditions under which we, our partners, and our clients had to operate, it can be euphemistically said that it was time full of challenges. On one hand, there was the weakening economic backdrop in the domestic market and its consequences for business, and on the other, the difficult macroeconomic environment faced by our key partners and increasing geopolitical tensions that translated into higher operational risks, discouraging foreign trade and investment activities.

It was yet another year marked by significant uncertainty and instability in the business environment: rising commodity prices and inflation were met with high-interest rates, which in turn impacted financing costs and demand fluctuations. Following

the pandemic period of 2020-22, when the number of business bankruptcies globally decreased, last year saw a resurgence in insolvencies in Poland, Europe, and other continents.

Simultaneously, there are ongoing struggles to shape a new world order, resulting in far-reaching changes in investment flows and a new paradigm in trade policy. This paradigm shift indicates a global move from market forces towards protectionism, engaging public funds on a large scale, which poses numerous risks.

At KUKE, we utilized all available opportunities and introduced new solutions to most effectively help Polish entrepreneurs conduct safe trade both locally and internationally, enhance domestic production potential, and pursue global expansion in these challenging circumstances.

Being aware of the multifaceted impact of the war in Ukraine on Poland, since the beginning of the Russian aggression, one of our strategic goals has been to support mutually beneficial activities of Polish businesses in Ukraine and to engage in the reconstruction of the country. Last year, we started again to offer cover of Polish investments in Ukraine and to infrastructure projects related to its economic modernization, in which Polish entities are involved. We were pioneers in this field among export support agencies in Europe and remained the leader in insuring goods deliveries to the Ukrainian market for another year.

From the perspective of reducing reliance on the prolonged economic downturn in the European Union, KUKE's activities related to supporting exports and investments in non-European markets were crucial. Our initiative, Shop in Poland, played a key role in this. We assisted Polish manufacturers and contractors in joining consortia responsible for large infrastructure projects in Asia and Africa. To this end, we intensified cooperation with other export credit agencies, undertaking partial reinsurance of project financing, enabling the involvement of Polish entities.

Our response to the insufficient level of investments in the domestic economy, i.e., guarantees for loan repayment on investments generating exports, is increasingly being used by companies and their financing banks. The value of financing provided under this scheme exceeded 1.5 billion PLN.

We were equally active in the domestic market segment of trade credit insurance and guarantees, striving to acquire new clients and transactions. However, all insurers had to face both the stagnation in the number of companies looking for insurance cover and the value of insured turnover due to the declining inflation rate. At the same time, decreasing profita-

bility and deteriorating financial liquidity of Polish enterprises resulted in an increasing number of insolvencies, leading to higher claims.

The deteriorating economic climate resulted in a 7.5% decrease in insured turnover to 134.7 billion PLN. While domestic turnover remained stable, insured export transactions decreased by 19.4%. Revenue from the sale of policies and guarantees exceeded 406 million PLN (a 24.1% year-on-year decrease resulted from a 38.7% drop in revenue in the segment of products guaranteed by the State Treasury). The amount of paid claims increased by 73.8% to 52.4 million PLN. Despite this, KUKE's net profit increased by 5.6% to a record level of 57.5 million PLN. Concurrently, the company's equity grew by 18.1% to 425.3 million PLN, allowing for further engagement in providing insurance protection for Polish entrepreneurs.

A summary of the key events of 2023 for KUKE would be incomplete without mentioning the success of implementing the main operational IT system as part of the next phase of company's digitization. The new system offers greater comfort for clients in using our services and enables us to operate more efficiently with much greater potential for business scale development.

I thank all our clients and partners for their trust and cooperation. Ahead of us are the next stages of the company's digitization, further expansion of our product offerings. We are ready to continue supporting Polish entrepreneurs in overcoming both short- and long-term challenges in new areas as well. The number of risks in the environment is continuously increasing, and at KUKE, we know how to mitigate their impact so that Polish businesses can grow both domestically and in international markets, leveraging periods of prosperity as well as turbulence and uncertainty.

Janusz Władyczak

CEO and President of the Management Board

Summary of the Report



Income

406
million PLN

from the sale of insurance policies and guarantees granted



Volume of insured transactions

134.8
billion PLN

of receivables and guarantees protected



Profit

57.52
million PLN

The highest financial net result
in over 30 years
of KUKE's operation



Introduction

KUKE has increased its net profit (from PLN 54.49 million in 2022 to PLN 57.52 million in 2023), marking a record-breaking net financial result in the Company's over 30-year history.

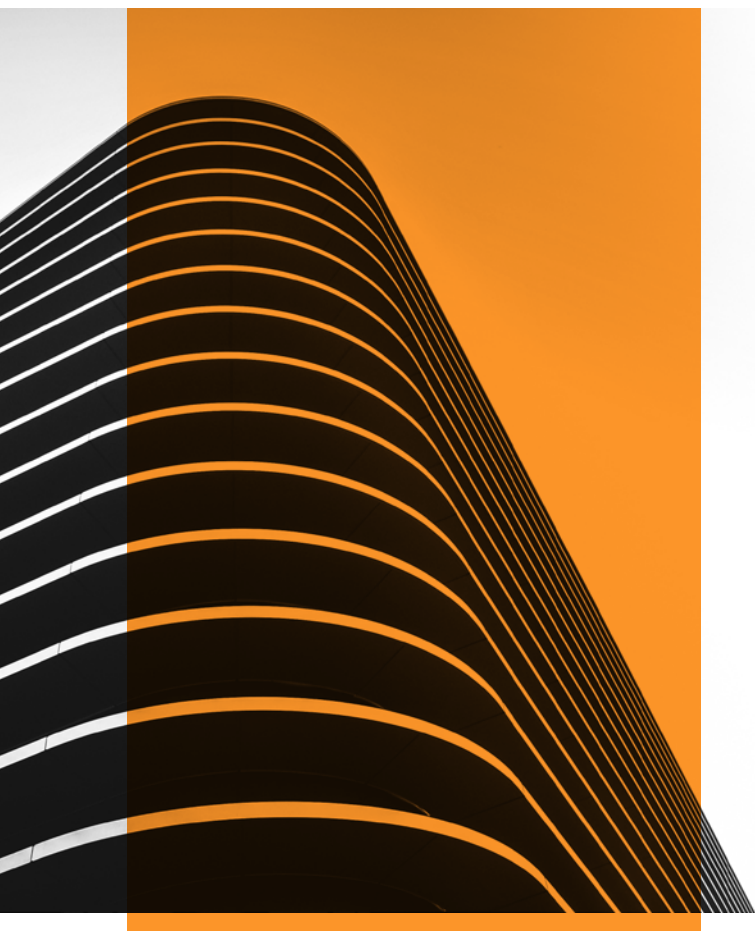
In 2023, revenues from the sale of KUKE policies and guarantees originating from both the commercial sector and the segment guaranteed by the State Treasury exceeded PLN 406 million. This represented a 24.1% decrease compared to 2022, with the respective figures for these lines amounting to PLN 189.02 million (4.4% increase) and PLN 217.48 million (38.7% decrease). Revenue growth in premiums occurred

in Group 14 insurance (credit insurance), with an increase of 4.2%, as well as in Group 15 (insurance guarantees), which saw a year-on-year premium growth of 5.4%.

KUKE closed 2023 with a negative insurance technical result amounting to PLN -0.24 million, including PLN -8.55 million in Group 14 and PLN 8.31 million in Group 15. The principal factors influencing the negative insurance technical result in 2023 for Group 14 were the increase in net reserves for unexpired risk for extraordinary claims compared to 31 December 2022, and a year-on-year rise in net claims.

In accordance with insurance accounting principles, KUKE released the equalisation reserve at the end of the year to the extent of the negative technical result in Group 14 (PLN 8.55 million) and simultaneously established such a reserve in Group 15 as a safeguard against future claims growth (PLN 0.79 million). The net effect of these operations elevated the final technical result of KUKE in 2023 to PLN 7.52 million, which was 38.9% higher than in 2022.

A significant contribution to the improvement of the Company's financial parameters last year was a 70.6% year-on-year increase in net investment income (PLN 38.39 million). Additionally, the balance of income and expenses from activities guaranteed by the State Treasury boosted KUKE's gross financial result for 2023 by PLN 26.57 million (YoY decrease of 33.3%).



The Company's Environment

The year 2023 was marked by geopolitical uncertainty due to the war in Ukraine, the escalation of conflicts in the Middle East, global economic tensions, and inflation. These were the primary factors impacting European economies, including Poland. A common phenomenon in EU countries was the slowdown in economic growth.

Significant economic uncertainty was also associated with government market intervention programmes (anti-inflation shields, price regulation, etc.) and the lack of funds from the National Recovery Plan (KPO) and the European Union. All these factors negatively affected the profitability and financial liquidity of primarily Polish enterprises, resulting in an increasing number of insolvencies and, consequently, higher loss ratios in financial insurance.

The risk of energy supply shortages decreased, but high energy commodity prices led to high inflation, limiting competitiveness and production growth. Persistently high interest rates for heavily indebted enterprises, combined with lower consumption by individual customers, posed a serious threat to liquidity. Consumer purchasing power

and company investments declined, leading to economic slowdown.

According to data from the Central Statistical Office (GUS), the expected growth of the Polish economy in 2023 is projected at 0.2%.

Foreign trade turnover in the period from January to November 2023 amounted to PLN 1,489 billion in exports and PLN 1,438 billion in imports at current prices. The positive balance was PLN 51 billion (compared to a negative balance of PLN 80 billion in the same period in 2022). Compared to the previous year's data, exports decreased by 0.1%, and imports by 8.4%. Poland maintained the largest share of total exports with developed countries at 86.7% (including the EU at 74.9%), and imports at 65.9% (including the EU at 54.0%). The smallest share was recorded with Central and Eastern European countries, which accounted for 5.0% of total exports and 2.2% of imports. A negative balance was noted with developing countries (PLN -336 billion), while a positive balance was achieved in trade with developed countries (PLN 343 billion, including PLN 339 billion with EU countries).





Organization

3.1 Shareholders and Share Capital

As at December 2023, the share capital of KUKE was PLN 135.938.900 and was divided into 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 2022 did not change and as at 31 December 2023 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

During the fiscal year from 1 January 2023 to 31 December 2023, the composition of the KUKE Supervisory Board remained unchanged and the KUKE Supervisory Board operated in the following composition:

- Adam Barbasiewicz - Przewodniczący Rady Nadzorczej
- Wioletta Krasoń - Wiceprzewodnicząca Rady Nadzorczej
- Piotr Kaflik
- Sylwia Ługowska-Bulak
- Paweł Pietrzak
- Artur Pustelnik
- Wojciech Rząsiecki
- Mariusz Sokołowski

In accordance with requirements of the Act of 11 May 2017 on Statutory Auditors, Auditing Firms and Public Supervision, which applies to KUKE as the insurer (the entity of public interest), the Audit Committee of the Supervisory Board of KUKE was appointed out of members of the Supervisory Board of KUKE, consisting of the following persons as at 1 January 2023:

- Wojciech Rząsiecki - Chairman
- Artur Pustelnik
- Mariusz Sokołowski

3.3 Management Board

From the period from 1 January 2023 to 31 December 2023, the Management Board of KUKE worked in the following composition:

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

On 8 December 2023, the Extraordinary General Meeting resolved to remove Jan Sarnowski - Member of the Management Board from the Management Board of KUKE with effect from 31 December 2023.

3.4 Employment and Intra-Organizational Changes

In 2023, changes to the Organisational Regulations of KUKE were implemented along with a restructuring of the organisational structure.

Management Board Resolution No. 66/P/2023 dated 15 February 2023 introduced changes within the Customer Service Department, resulting in the establishment of three organisational units within the structure of the Department:

- Policy Processing Office (Biuro Obsługi Polis - BOP),
- Trade Risk Assessment and Analysis Office (Biuro Oceny Ryzyka Handlowego i Analiz- BOR),
- Direct Customer Service Department – (Biuro Bezpośredniej Obsługi Klienta - BBO).

Management Board Resolution No. 228/P/2023 dated 21 May 2023 introduced changes within the Sales Department, resulting in the creation of a new organisational unit within the structures of the Department

- Factoring Receivables Insurance Sales Office (Biuro Sprzedaży Ubezpieczeń Należności Faktoringowych - BSF).

Management Board Resolution No. 440/P/2023 dated 28 September 2023 introduced changes regarding the differentiation of positions (Department Director/Department Manager) for individuals managing organisations units.

Management Board Resolution No. 8/1//P/2023 dated 13 December 2023 introduced changes to the organisations structure, consisting of:

- Reducing the number of Divisions from 4 to 3 – the Finance Division (CFO) was merged with the Security Division (CSO);
- Reallocating the individual Departments – Departments previously under the Security Division were integrated into the Finance Division.

The changes introduced in the organisational structure aimed to enhance the efficiency of KUKI's operations.

This project was carried out by the independent research and certification body - Experience Institute. The aim of the survey was to find out what employees think about their work, examining the level of satisfaction with the work environment and the level of engagement. At the same time, this was the first edition of the satisfaction and engagement survey carried out by KUKI. The survey was realised on the basis of a questionnaire for certification under the Investor in Human Capital 2023 programme. Based on the results of KUKI's assessment within the index (certification) areas of the "Investor in Human Capital" programme, the Programme Committee has decided to award KUKI with the „Investor in Human Capital 2023" distinction. This certificate is a special distinction that is 100% based on the power of employee voice - this accounts for the unique nature of the award.

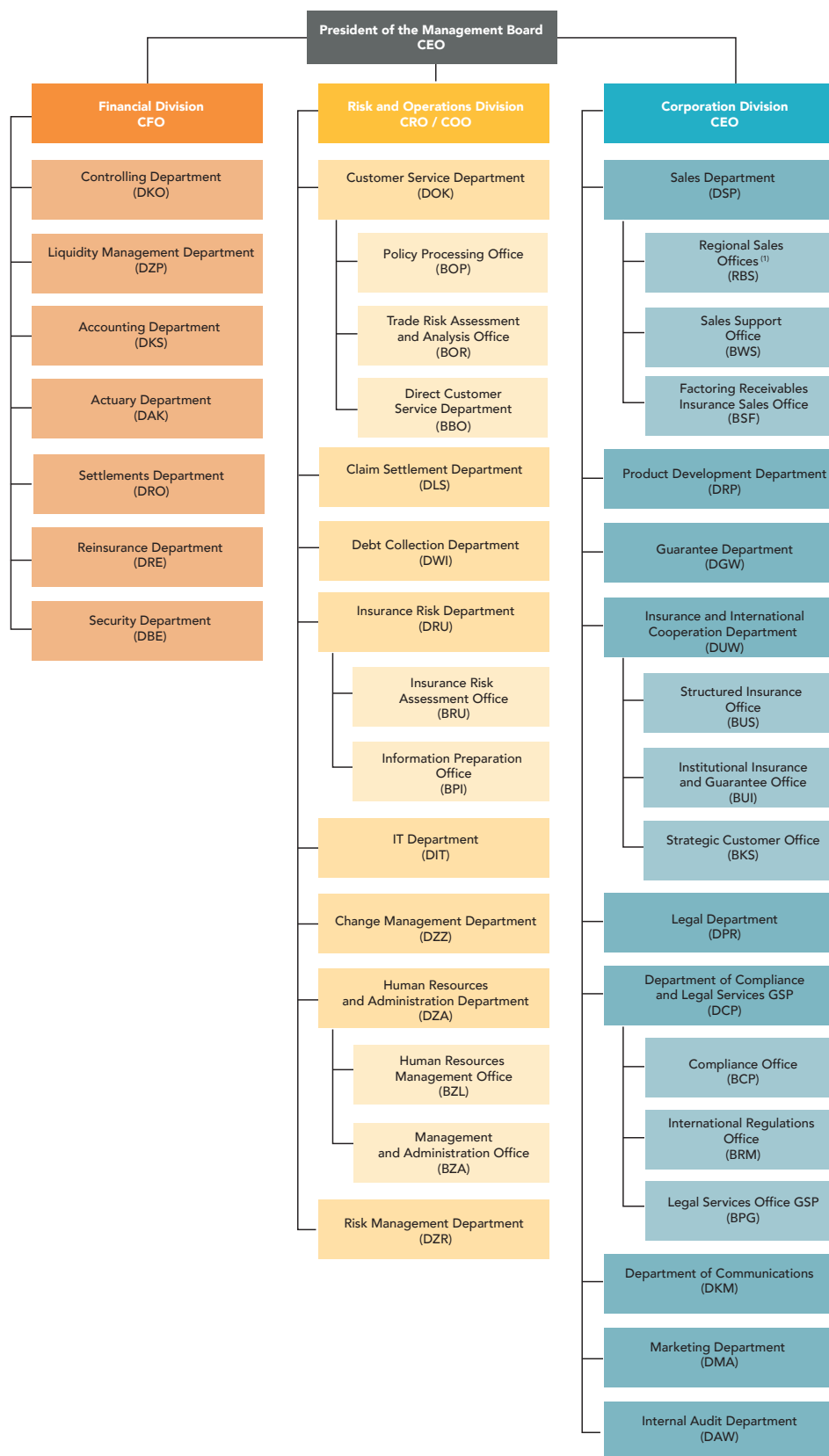
3.5 Subsidiaries

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

As at 31 December 2023, the share capital of KUKI Finance was PLN 35,000,000 and was divided into 350,000 registered shares with the nominal value of PLN 100 each. KUKI is the sole shareholder of KUKI Finance.



KUKE's organizational structure as at 31 December 2023.





Performance of KUKE in Specific Business Areas

4.1 Overall Performance

In 2023, KUKE provided insurance coverage for a total turnover of PLN 134,746.07 million, representing a 7.5% decrease compared to the previous year.

The value of insured export turnover fell 19.4% year-on-year, amounting to PLN 42,598.80 million in 2023. Of this, commercial export insurance accounted for PLN 35,804.68 million (a volume decrease of 16.1%), while insurance guaranteed by the State Treasury accounted for PLN 6,794.12 million (a volume decrease of 33.1%). The value of insured domestic turnover closed at PLN 92,147.27 million, representing a 0.8% decrease compared to 2022.

The geographical structure of export turnover covered by insurance and insurance guarantees, both commercial and guaranteed by the State Treasury, was, as in 2022, dominated by Germany (20.7%). Next in line were receivables from counterparties in the Czech Republic (7.2%) and Switzerland (5.1%).

In 2023, KUKE signed 2,607 new insurance and guarantee contracts, 1.6% less than in 2022. This included 2,131 in the commercial segment (3.3% less than in 2022) and 476 in the segment guaranteed by the State Treasury (6.7% more than in 2022). In addition, 1,705 policies from previous years were renewed (823 in the commercial business and 882 in the business guaranteed by the State Treasury), 4.2% less than in the previous year.

At the end of 2023, there were 6,160 active insurance policies and guarantees, representing an increase of 8.9% compared to the previous year. A total of 4,678 policies and guarantees came from the commercial insurance segment (11.7% more than in 2022), while 1,482 policies and guarantees originated from the activities backed by the state Treasury (0.8% more than in 2022).

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

4.2.1 Credit Insurance (Class 14 of chapter II)

In 2023, within Class 14 insurance, KUKE provided coverage for short-term receivables amounting to a total of PLN 125,333.22 million, which is 6.5% less than in 2022. This includes export receivables of PLN 35,804.68 million (YoY decrease of 16.1%) and domestic receivables of PLN 89,528.54 million (YoY decrease of 2.0%). In the geographical structure of insured export turnover, the highest share was accounted for by receivables from KUKE clients' counterparties in Germany (23.5%), the Czech Republic (8.5%), and Switzerland (6.0%).

In 2023, 288 new insurance agreements were signed, which is 23.6% more than in 2022. Additionally, during the reporting period, 823 policies from previous years were renewed, reflecting a 4.6% year-on-year increase compared to 2022. As at 31 December 2023, there were 1,200 active policies, which is 10.4% more than in 2022.

The gross written premium for short-term receivables insurance in Class 14 amounted to PLN 157.71 million, compared to PLN 151.40 million in 2022, representing a 4.2% increase.

In 2023, KUKE paid out 1,424 claims amounting to PLN 69.43 million. Compared to the previous year, the value of claims paid out increased by 182.4%. Of the total claims paid, 59.4% were related to debtors from Poland. The remaining 40.6% were paid out for non-payment by foreign counterparties, primarily from Slovakia (10.6%), Italy (6.4%), and Germany (6.3%). As a result of recovery proceedings conducted in 2023, KUKE obtained recoveries amounting to PLN 6.04 million (3.8% less than in 2022).

The reserve for outstanding gross claims (excluding reserves for estimated recoveries) as at 31 December 2023 amounted to PLN 85.89 million, compared to PLN 34.40 million the previ-



ous year (a 149.7% increase). Due to exceeding the value of PLN 1 million in potential claims on policies from Class 14 insurance and the high payout probability of these claims, reserves for unexpired risk for extraordinary claims were established, amounting to 17.86 million gross as at 31 December 2023, compared to PLN 3.82 million in such reserves the previous year, representing a 367.1% increase.

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

In 2023, 1,843 insurance guarantees were issued, worth PLN 1,084.58 million. Compared to 2022, the number of issued guarantees decreased by 6.4%, while the total guaranteed amount increased by 4.0%. As at 31 December 2023, there were 3,478 active insurance guarantees representing a 12.1% increase from the previous year.

KUKE's remuneration for the issued insurance guarantees amounted to PLN 31.31 million, which represents a 5.4% increase compared to 2022.

During the reporting year, KUKE paid out 21 guarantee amounts totalling PLN 8.39 million. This is a 54.5% increase compared to 2022. Additionally, in 2023, revenue from recourses related to insurance guarantee payouts amounted

to PLN 3.92 million, compared to PLN 3.98 million in 2022, reflecting a year-on-year decrease of 1.5%.

Due to the establishment of IBNR reserves for risks, the reserve for outstanding gross claims (excluding reserves for estimated recoveries) as at 31 December 2023 amounted to PLN 29.07 million (compared to PLN 34.83 million such reserves at the end of 2022).

4.2.3 Insurance of financial losses due to exchange rate risk (Class 16 of chapter II)

During the reporting year, no new insurance agreements were concluded, nor were any claims paid out in the scope of insurance for financial losses due to exchange rate risk.

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

Insurance against non-marketable risks

In 2023, in the area of export contract insurance financed with credit terms below 2 years, 121 policies were signed, including 119 revolving policies and 2 individual policies. The number of signed policies increased by 24.7% year-on-year,

while the number of renewed policies decreased by 11.1% over the same period. As at 31 December 2023, there were 992 active policies, representing a 10.8% increase compared to 31 December 2022.

Due to the expiration at the end of March 2022 of the period specified in the European Commission's Communication for offering GAP under the support programme for Polish entrepreneurs related to the COVID-19 pandemic, no new insurance contracts were signed during the aforementioned period, and the number of active GAP policies as at 31 December 2023 dropped to zero.

The value of insured turnover amounted to PLN 3,707.60 million, which was 17.4% higher than the previous year. In the geographical structure of insured receivables, the highest share was from Polish entrepreneurs' receivables from counterparties from Ukraine (40.9%), Singapore (8.9%), and Kazakhstan (6.3%).

The gross written premium for the aforementioned insurance in 2023 was PLN 21.31 million, which was 21.3% lower than in 2022.

The Company paid out 71 claims amounting to PLN 13.70 million, which is 72.1% less than in 2022. The highest share of the value of claims paid was attributed to debtors from Ukraine (27.5%), Russia (15.1%), and Ghana (14.9%). As a result of recovery proceedings conducted in 2023, KUKE obtained recoveries amounting to PLN 8.45 million (19.9% less than in 2022).

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

In 2023, under medium- and long-term insurance, KUKE concluded 6 insurance agreements and issued 17 insurance guarantees with a total value of PLN 3,165.25 million, covering:

- 4 acquisition credits with a total value of PLN 96.74 million;
- 17 investment credits intended for financing export-oriented investments in Poland with a total value of PLN 1,534.15 million;
- 1 buyer's credit worth PLN 1,518.49 million; and
- 1 supplier's credit worth PLN 15.87 million.

The value of the coverage provided in 2023 for the aforementioned insurance and investment guarantees was 2.2% higher than in 2022.

The gross written premium for medium- and long-term insurance and guarantee agreements amounted to PLN 157.58 million, which was 42.8% lower than in 2022.

During the reporting year, the Company paid out 6 claims totalling PLN 60.47 million (YoY increase of 575.7%) and obtained PLN 11.32 million in recourse revenues (YoY decrease of 25.9%).

Other insurance guarantees / bonds

In 2023, KUKE issued 332 insurance guarantees with a total value of PLN 1,455.42 million, including 158 contractual guarantees worth PLN 428.33 million, 116 loan repayment guarantees worth PLN 799.25 million, and 58 insurance guarantees for payment obligations related to letters of credit worth PLN 227.84 million. Compared to 2022, both the number and value of the issued guarantees in 2023 decreased by 1.8% and 66.5%, respectively.

Remuneration from the issue of insurance guarantees in 2023, including the extension of validity periods for guarantees issued in previous years, amounted to PLN 38.59 million, which was 26.1% lower than recorded in 2022.

In that year, KUKE paid out 32 amounts from loan repayment guarantees and those related to letters of credit totalling PLN 16.46 million, representing a 5.5% increase compared to the previous year. Similarly to 2022, KUKE did not obtain any recourse revenues from payouts on guarantees in 2023.





Sales and promotional activities

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

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

The SWE includes various product solutions, which in 2022 and 2023 were promoted at numerous conferences, workshops with banks and clients, as well as discussed in many press articles, in particular describing concluded transactions. Podcasts and video materials have also been produced and these can be found, among others, on the information channels of KUKE as well as the banks cooperating with KUKE in this area. Out of all solutions available under the SWE, the greatest interest among financial institutions was in the guarantees of domestic credits intended to finance export-generating investments in Poland, which in 2023 - after signing the relevant framework agreements with KUKE - were introduced to the offer of the following financial institutions:

- PZU S.A.
- PZU Życie S.A.
- Agencja Rozwoju Przemysłu S.A.
- Alior Bank S.A.
- mBank S.A.
- HSBC Continental Europe S.A.

The year 2023 was also a record year for the insurance of financing Polish enterprises' investments abroad. Four additional agreements were concluded for investments in Austria, the United Kingdom, Germany, and Spain. For the first time, a non-bank institution the Foreign Expansion Fund represented by PFR TFI S.A. acted as the financing provider and KUKE policy beneficiary within these insurances.

2023 was also very fruitful in terms of cooperation with other export credit agencies (ECAs). KUKE accepted four reinsurance transactions totalling approximately €750 million, two of which turned into final reinsurance agreements still in 2023. Notably, one of these agreements, marking a historic first for KUKE, was concluded with the British agency UKEF.

As part of the Polish Envelope initiative, a strategic agreement was signed in 2023 between KUKE and GE Power Sp. z o.o. opening new export opportunities for companies within the GE Group in Poland. The signed agreement aims to support GE by facilitating agreement execution and securing financing for buyers worldwide, all within the available limit of €1 billion. The agreement outlines the cooperation principles, which strengthen the strategic participation of Polish industrial companies in GE's export contracts, financed by banks and insured by KUKE. This is the second such strategic investment, with the first being signed with the Alstom Group in 2022.

In 2023, the client base within the Shop in Poland initiative was further expanded. By participating in various seminars, conferences, and training sessions for Clients across Poland, many marketing consents were obtained to transfer client data from Poland to general contractors from various countries, including Brazil, India, Turkey, UAE, the United Kingdom, Spain, Portugal, and others.

As part of the expansion and diversification of investment risk associated with the Shop in Poland project, relationships were established with Clients in Asia, where significant involvement of KUKE is anticipated in the coming years.

Within the Shop in Poland project, KUKE hosted general contractors, for example from Turkey, who met with potential subcontractors (Clients) from Poland at the Corporation's headquarters to establish business relationships.

At the PAIH Expo conference, KUKE presented the operational scheme of the Shop in Poland project and its benefits for both Polish subcontractors and their potential foreign partners.

5.2 Changes to short-term insurance products

New product for the Factor - KUKE Faktor

In 2023, work was completed on the general terms and conditions for a new receivables insurance product for factors, written in plain language and certified by the University of Wrocław for its clarity. The documentation, prepared in a simple format, has become more user-friendly, thereby increasing customer trust and encouraging them to use KUKE's services. The KUKE Faktor product will be introduced to the offer in the second half of 2024.

Plain language project

Along with writing the KUKE Faktor general terms and conditions, KUKE initiated a project to simplify the language used in product and service documentation. For this purpose, a Plain Language Programme Coordinator was appointed, who will be

responsible for conducting internal trainings for KUKE employees on the principles of plain language and coordinating the simplification of existing and newly developed documents and correspondence for Clients.

Policy without Borders, Safe Contract Policy

Due to the ongoing war in Ukraine, KUKE continued in 2023 the program of providing insurance coverage for commercial transactions concerning counterparties under the strategic product Policy without Borders. Based on the June 2022 KPUE resolution, PLN 500 million was allocated for this purpose (including guarantees related to letters of credit), and in January 2023, based on another KPUE resolution, this amount was increased to PLN 1 billion and included the Safe Contract Policy (individual policy).

During the meeting on 25-26 January 2023, the Organization for Economic Cooperation and Development (OECD) downgraded Ukraine's rating from 6 to 7. This was expected to lead to higher insurance premiums for Polish entrepreneurs. To ensure stable cooperation conditions for Polish entrepreneurs with the Ukrainian market, KPUE adopted a resolution in February 2023 to maintain insurance premiums at the previous level, i.e., as for class 6.

Thanks to the amendment to the Act on Insurance Guaranteed by the State Treasury, KUKE introduced two clauses to the Policy without Borders insurance:

- Advance payment insurance clause (this solution is aimed at exporters who use import components in their operations; it allows for the protection of the advance payment made for the import delivery from a non-marketable risk country); and
- Insurance clause for Polish branches of foreign companies (this solution is aimed at branches of foreign companies operating from Poland and involved in export activities; it allows for the insurance of receivables of Polish branches of foreign entrepreneurs).

Reinsurance Program for Transport Insurance in Connection with the Armed Conflict in Ukraine

In the scope of GSP activities in 2023, work continued on a reinsurance program for commercial insurers within the framework of their policies covering transport risks. Thanks to this program, and after prior approval by the European Commis-



sion, Polish companies will be able to continue their transport activities and facilitate the flow of goods in both directions.

Europolicy

In November 2023, KUKE introduced a modified version of the Europolicy short-term receivables insurance along with the new FOCUS IT system. Differences compared to the previous version of the product include:

- Equalization of the maximum limit amounts for domestic and foreign counterparties,
- The ability to set credit limits in any currency,
- Introduction of an conditional franchise, and
- Including the option of paying the premium in instalments.

Changes in clauses and procedures

In response to customer demand in 2023, new/modified clauses were introduced to the offer:

- Production risk insurance clause, applicable to short-term receivables insurance agreements - Package 2018 (the clause allows for insurance coverage of production costs incurred by the policyholder if the delivery of goods is not completed due to an insured event);
- FALCON Service - online limit decisions for domestic counterparties, applicable to balance insurance agreements (SP), Package 2018, OP 2016, KUKE Faktor.

5.3 Sales

The primary sales channel for the insurance and guarantees offered by KUKE is its internal sales network. Advisors employed in KUKE's Regional Sales Offices are responsible for directly acquiring clients as well as servicing insurance brokers regarding their inquiries. In 2023, KUKE did not cooperate with insurance agents.

As expected, the share of premiums from short-term insurance policies managed by brokers has been increasing year by year. This trend is expected to continue, driven by the growing activity of brokers among clients, including those from the SME segment.

Currently, KUKE operates six regional offices in cities with the highest economic potential, namely Warsaw, Krakow, Katowice, Wrocław, Poznań, and Gdańsk.

5.4 Marketing and promotion

Support for Polish companies exporting or operating in Ukraine, as well as those planning to participate in the reconstruction of the country, the promotion of alternative business expansion directions, particularly in Africa and Asia, and the continuation of educational initiatives aimed at entrepreneurs about the available tools to facilitate safe business operations in the domestic market were the dominant themes in the Company's communication in 2023.

Ukraine, amendment of the Act, Shop in Poland

In 2023, KUKE remained one of the most active export credit agencies (ECA) concerning the Ukrainian market, which was reflected in a large number of positive publications in both domestic and international media. The culmination of the Company's recognition was the special Solidarity with Ukraine award received in the Banking and Insurance Leaders competition. Additionally, KUKE's Ukrainian counterpart, ECA Ukraine, awarded special thanks for the "broad support for development" during a conference in Kyiv dedicated to the country's reconstruction.

Communication related to the amendment of the act regulating KUKE's activities in the area guaranteed by the State Treasury was also devoted to assisting Polish businesses in the context of Ukraine. Thanks to the introduced legislative changes, KUKE became the first export credit agency in the world to offer investment insurance and transport insurance against war risk during an armed conflict, to more effectively support the reconstruction and modernization of the neighbouring economy. Another regulation from the amendment, which enables KUKE to be involved in Poland's energy transition process, was reflected in the gradual activation of the Company in business and scientific initiatives, including from a communication standpoint, dedicated to the development of zero- and low-emission energy sources, a growing element in ECA activities worldwide.

The promotion of the Shop in Poland solution, carried out in previous years, accelerated in 2023. Subsequent major transactions involving KUKE, where Polish companies played an increasingly significant and even key role, such as the expansion of a university in Angola, allowed for the broader

dissemination of knowledge about instruments supporting the expansion of Polish businesses into distant markets. This was also supported by an agreement and joint participation in the PAIH forum in Warsaw with one of the global general contracting companies.

Promotion of the regular offer

In addition to Shop in Poland, other elements of the export support system, such as working capital and investment financing guarantees and foreign investment insurance, were widely promoted. For this purpose, the Company organized informational events for banks, as direct beneficiaries of KUKÉ's solutions, and in cooperation with them, for their clients. This also involved signing a cooperation agreement and jointly offering products with another domestic bank, as well as agreements with export support agencies from Japan and Greece. The goal was to stimulate mutual trade, attract further export-oriented investments to Poland, integrate domestic companies into the supply chains of foreign corporations, and provide support for the cooperation of companies in third markets.

Conferences, congresses, webinars

In 2023, KUKÉ representatives participated in conferences, economic congresses, and workshops for entrepreneurs. During these events, the Company collaborated with various organizations, including the Polish Bank Association, insurance brokers, and associations of entrepreneurs such as the Polish Construction Employers' Association, the Federation of Polish Entrepreneurs, Special Economic Zones, and institutions affiliated with the PFR Group.

The Company was also active during significant events dedicated to the development of Polish business and its international expansion, such as:

- European Economic Congress in Katowice,
- Forbes Diamonds 2023,
- Economic Forum in Karpacz,
- Banking Forum 2023,
- PAIH Business Forum 2023,
- Corporate and Investment Banking Congress,
- Conference at Sea,
- ReBuild Ukraine,
- 2nd Construction Forum,
- 16th International Forum "Polish-Ukrainian Business Days",
- Series of industry meetings - Rebuilding Ukraine,
- 8th International Industrial Carpentry Forum,

- BALTEXPO 2023,
- 13th Railway Congress,
- Polish Infrastructure Forum, and
- TXF.

Online communication

In 2023, KUKÉ intensified its presence in online channels through regular publications on social media and digital media. Another step in building the brand's online presence was conducting a paid digital campaign. Its goal was to reach a broad base of entrepreneurs, build KUKÉ's brand awareness, and acquire new clients.

The campaign focused on products from the insurance and insurance guarantee portfolio, particularly including receivables insurance, contract guarantees, payment guarantees for exporters, and foreign investment insurance. The campaign was launched in September and lasted for two months. It was visible on popular websites among the target group, industry websites, Google search engine, and Google advertising placements, such as YouTube and Gmail. It gained nearly 5 million views.

KUKÉ w media

According to Press Service Monitoring Mediów, there were about 5,800 mentions of KUKÉ in the media, accounting for more than half of all publications about the receivables insurance market in the country. Nearly 20% of the publications about KUKÉ had a positive tone, which was the highest percentage compared to competitors.

In 2023, KUKÉ continued its strategic cooperation with the newspaper Rzeczpospolita, maintaining patronage over the firma.rp.pl service and the New Markets section, where articles and analyses dedicated to the international development of Polish companies are published. KUKÉ was featured in the Exporter's Vademecum issued by the newspaper. The Company collaborated on the preparation and publication of a report on the investments of Polish companies worldwide, along with PFR TFI and PwC Poland. KUKÉ remains one of the most active entities dealing with receivables insurance in Poland regarding social media activity (Twitter, LinkedIn, Facebook).

KUKÉ Academy

In 2023, the Company fully developed the operations of KUKÉ Academy, a unique educational program promoting trade finance among students and employees of Polish universities.

Its goal is not only to impart knowledge about KUKÉ's activities but also to encourage students to consider careers with institutions active in this field.

KUKÉ signed agreements with two leading Warsaw universities: the Warsaw School of Economics and Lazarski University. The planned areas of cooperation include joint research projects and publication of reports and analyses, participation in lectures and conferences organized by the universities on topics related to international trade and corporate finance. In May 2023, the Company organized a two-day workshop titled "Trade Finance in Practice" at its headquarters, where KUKÉ experts and invited guests presented the specifics of work and development opportunities in this segment of the financial market. The program included presentations of various groups of financial instruments, their applications in different industries, and case studies. The training concluded with the awarding of certificates.

Meetings with students were also held at several universities in the country, where Company representatives discussed topics

such as liquidity management, trade credit insurance, and KUKÉ's role in the trade finance market.

Lectures were also held at:

- Warsaw School of Economics,
- Wrocław University of Economics, and
- Nicolaus Copernicus University in Toruń.

Customer Satisfaction Survey

The Company once again conducted a customer satisfaction survey, and for the second year in a row, it was carried out with the participation of a specialized research firm to ensure comparability of results. The analysis was based on the opinions of 400 KUKÉ clients who use the Company's most important products in both lines: commercial and State Treasury guaranteed instruments, representing a representative sample. A very high NPS (Net Promoter Score) of 59 was achieved, indicating an improvement over the previous survey and confirming that clients are willing to recommend the Company's services to their business partners.





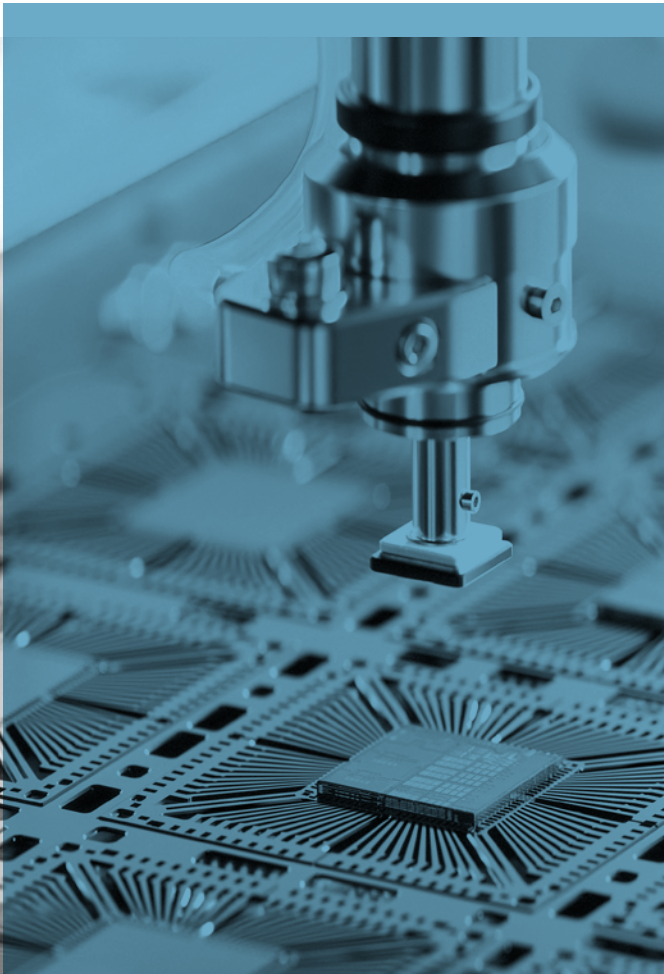
IT

Business systems

In November 2023, the main operational IT system, Focus, was successfully implemented for handling insurance contracts, replacing the previously used KUKE IT system. The project involved development and testing work. Additionally, business

needs necessitated adjustments and clarifications to requirements within the previously developed business specifications.

The production environment of the Focus system, along with the Client Portal, was updated and launched.





Sustainable development management

The Company continued to work on implementing a systematic approach to managing sustainable development (Environmental, Social, Corporate Governance - ESG) issues. With the help of an external consulting firm, preparatory work began to create a sustainable development strategy and a climate strategy. During workshops with representatives of various departments of KUKE and KUKE Finance, stakeholder groups were mapped, and an impact assessment in the social and environmental areas of the companies was initiated. An internal training session on sustainable development and the company's ESG activities was also conducted.

The Company is distinguished by the high involvement of employees in volunteer work – in 2023, 20% of employees participated in volunteer activities, along with their families and friends. In total, nearly 500 hours were spent on volunteer

activities. As in previous years, the actions were related to health protection, sports, ecology, helping children, and aiding victims of the war in Ukraine.

KUKE continued its cooperation with SOS Children's Villages as part of the "Santa Claus - Gifts for Children" campaign. Employees prepared gifts for children from the SOS Village in Biłgoraj. The Company, as in the previous year, joined the "Active Volunteering" initiative of the PFR Group, promoting physical activity while raising funds for the following causes:

- "Po DRUGIE" Foundation,
- Sociotherapy Centre in Olsztyn,
- "From Heart to Heart" Foundation,
- Łupkowa Children's Hospice in Łódź, and
- "Between Heaven and Earth" Foundation.



**During the projects carried out,
we have worked for**



which equals to



The projects involved



**Activities mainly targeted
three areas:**

- sport
- health care
- ecology and environmental protection

**The beneficiaries of
volunteering are:**

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



Investment activities

In line with the Investment Activity Policy, in the scope of the financial instrument portfolio management rules and objectives, KUKE was guided by the following principles in 2023, in hierarchical order:

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

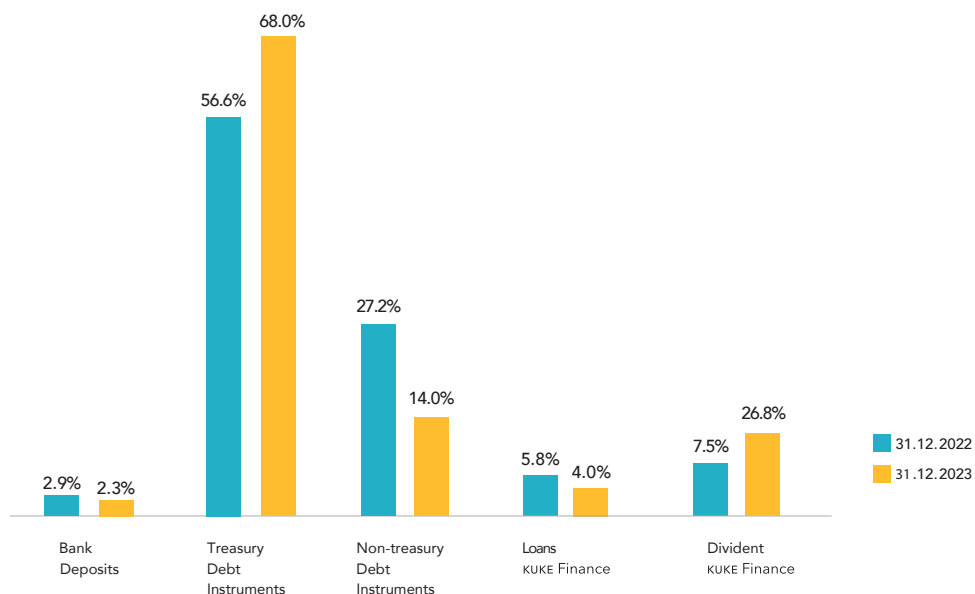
As in previous years, the policy of diversifying the investment portfolio was maintained to maximize its profitability, while maintaining the principle of limited interest rate and credit risk at the same time.

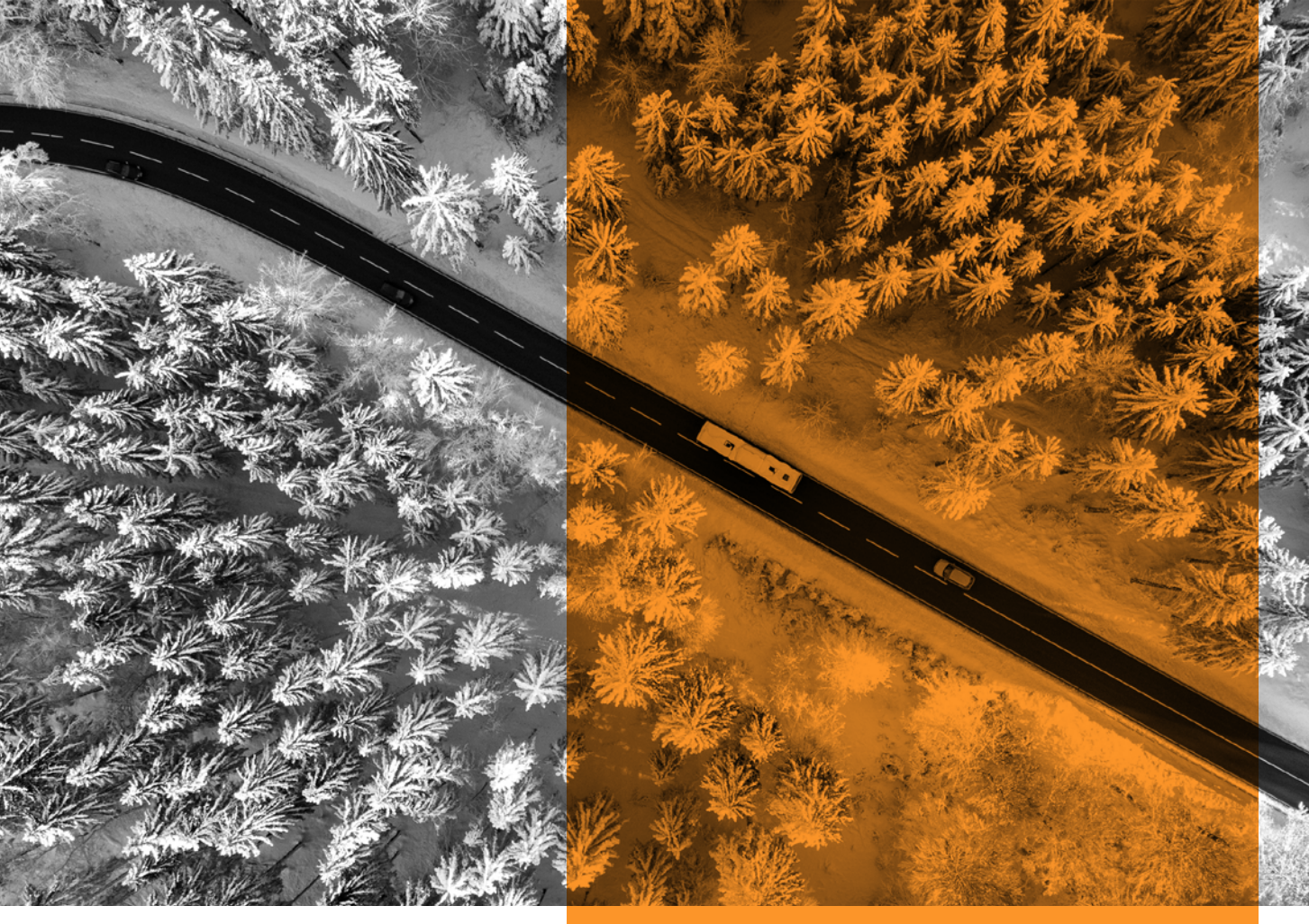
Throughout 2023, portfolio management focused on maintaining a high liquidity of investments. Consequently, only government bonds were purchased for the portfolio. The share of such instruments in the total portfolio amounted to 69.7% at the end of 2023.

The persistently high inflation rate caused the Monetary Policy Council (MPC) to refrain from making decisions regarding interest rates for most of 2023. It was only in September that a decision was made to change the main reference rate from 6.75% to 6.0%, and in the following month, it was further reduced to 5.75%. Despite the rate cut, variable-rate government bonds remained attractive and thus continued to be of interest to KUKE.

Due to the lower liquidity of non-government securities, expo-

Summary of investment income by source of their origin.





sure to such instruments was limited. As at 31 December 2023, the share of non-government debt instruments (including BGK bonds guaranteed by the State Treasury) decreased to 15.0% of the portfolio, compared to 21.6% at the end of 2022.

Thanks to the adopted investment strategy focused on the short end of the yield curve (portfolio duration was 0.7) and the purchase of only variable-rate government bonds, KUKE

maintained a high rate of return on investment activities in 2023. At the end of 2023, investment income reached PLN 38.77 million, significantly exceeding the planned values (PLN 22.45 million).

As at 31 December 2023, the value of KUKE's investment portfolio (excluding cash, own real estate, and advances on these properties) amounted to PLN 601.99 million.

Summary of investment income by source of their origin.

Source of origin	2022 (PLN millions)	structure %	2023 (PLN millions)	structure %
Bank deposits	0.66	2.9%	0.89	2.3%
Treasury debt instruments	12.90	56.6%	26.37	68.0%
Non-treasury debt instruments	6.21	27.2%	5.41	14.0%
Loans to KUKE Finance S.A.	1.32	5.8%	1.55	4.0%
Shares of KUKE Finance S.A.	1.71	7.5%	4.55	11.7%
TOTAL	22.81	100%	38.77	100%

Differences in checksums are due to rounding



Risk management

Based on an analysis of the qualitative and quantitative risk relevance criteria as part of the ORSA process, the Risk Committee reviewed the catalogue of risks present in Q3 2023 in the Company. Compared to last year, the risk catalogue was updated. The risk of managing the area of the ICT environment and security was separated from operational risk. As part of its operations, the Company identifies the following risks:

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

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

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

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





KUKE's Financial Results

10.1 Analysis of the Balance Sheet

KUKE's balance sheet total at 31.12.2023 amounted to PLN 889.11 million, and it was 18,2% lower than at 31.12.2022 (PLN 1 051.04 million).

Main items of KUKE's balance sheet

ASSETS	31.12.2022 PLN millions	share %	31.12.2023 PLN millions	share %	change 2023/2022 PLN millions	change 2023/2022 %
Intangible assets	4.03	0.5%	8.64	0.8%	4.61	114.6%
Deposits	518.01	58.3%	603.82	57.4%	85.81	16.6%
Receivables	118.18	13.3%	115.65	11.0%	-2.53	-2.1%
Other assets:	220.80	24.8%	292.57	27.8%	71.77	32.5%
including funds on a separate „National Interest“ Bank account	217.06	24.4%	287.81	27.4%	70.75	32.6%
Prepayments and accruals	28.10	3.2%	30.36	2.9%	2.26	8.1%
TOTAL ASSETS	889.11	100.0%	1 051.04	100.0%	161.93	18.2%

LIABILITIES	31.12.2022 PLN millions	share %	31.12.2023 PLN millions	share %	change 2023/2022 PLN millions	change 2023/2022 %
Equity	360.07	40.5%	425.36	40.5%	65.28	18.1%
Technical-insurance provisions (after taking into account reinsurers' share and estimated recourses)	195.36	22.0%	203.57	19.4%	8.21	4.2%
Other provisions	4.15	0.5%	4.74	0.5%	0.59	14.2%
Other liabilities and special funds:	302.51	34.0%	388.41	37.0%	85.90	28.4%
including funds on a separate „National Interest“ Bank account	217.06	24.4%	287.81	27.4%	70.75	32.6%
Accruals and deferred income	27.02	3.0%	28.97	2.8%	1.95	7.2%
TOTAL EQUITY AND LIABILITIES	889.11	100.0%	1 051.04	100.0%	161.93	18.2%

Differences in checksums are due to rounding

10.1.1 Assets

During the reporting year, the value of intangible assets increased from PLN 4.03 million in 2022 to PLN 8.64 million in 2023 (YoY change of 114.6%). The main factor driving this change in the current period's assets was the investment in the development of KUKA's IT systems.

Deposits held the highest share (57.4%) in KUKA's balance sheet, with a value of PLN 603.82 million at the end of the reporting period (a YoY increase of 16.6%). This included investments in debt securities and other fixed-income amounting to PLN 510.62 million (YoY increase of 15.7%), term deposits in credit institutions amounting to PLN 24.72 million (YoY increase of 99.4%), and shares or stocks in subordinated entities amounting to PLN 51.23 million (YoY increase of 9.4%).

As at 31 December 2023, receivables amounted to PLN 115.65 million (11.0% of assets), a decrease of 2.1% compared to the previous year, of which:

- Receivables from direct insurance increased by 3.4% (PLN 2.51 million) due to the increase in premium volume,
- Receivables from reinsurance increased by 13.9% (PLN 4.42 million) as a result of the increase in reinsurance commission settlements,
- Other receivables decreased by 78.8% (PLN 9.46 million) due to the decline in settlements regarding commissions collected by KUKA for managing State Treasury-guaranteed insurance.

As at 31 December 2023, the Company had no disputed receivables.

Other asset components as at 31 December 2023, amounted to PLN 292.57 million, reflecting a 32.5% increase compared to 31 December 2022. This change resulted from the increase in funds accumulated in the "National Interest" segregated bank account from PLN 217.06 million (2022) to PLN 287.81 million (2023), used for settlements related to the activities entrusted to the Company under the Act of July 7, 1994, on State Treasury-guaranteed insurance (a YoY increase of 32.6%). These funds constituted 98.4% of the other asset components position.

10.1.2 Equity and liabilities

KUKA's equity as at 31 December 2023, amounted to PLN 425.36 million, which was 18.1% higher than the previous year. The value of equity was increased by the current year's profit. The share of equity in the balance sheet total was 40.5%, similar to 2022.

The level of technical insurance provisions (including the share of reinsurers and estimated recoveries) reached PLN 203.57 million, compared to PLN 195.36 million the previous year (a YoY increase of 4.2%), representing 19.4% of liabilities. The highest year-on-year changes in technical insurance provisions included:

- Provisions for premiums and unexpired risk (due to the increase in premiums written by KUKA and the establishment of provisions for unexpired risk for extraordinary claims for policies in Group 14 insurance) amounting to PLN 11.52 million;
- Provisions for unpaid claims and benefits (mainly due to the establishment of IBNR provisions for threats in Group 14 insurance) amounting to PLN 5.26 million; and
- Equalization provisions (primarily due to the negative technical result in Group 14 insurance in 2023) amounting to -PLN 7.76 million.

The value of other liabilities and special funds (37.0% share of the balance sheet total) increased year-on-year by 28.4%, from PLN 302.51 million (2022) to PLN 388.41 million (2023). The highest nominal increase in this liability position—in amounts—was attributed to the following:

- Liabilities related to funds accumulated in the "National Interest" segregated bank account, used for settlements related to KUKA's activities under the Act on insurance guaranteed by the State Treasury (YoY increase of PLN 70.75 million),
- Reinsurance liabilities (YoY increase of PLN 11.25 million).

The value of overdue liabilities amounted to PLN 0.21 million. The Company had no overdue liabilities to the budget. In the financial year 2023, similar to previous years, KUKA did not utilize bank loan financing.



Ageing of overdue receivables

Overdue period	Amount (in PLN millions)	Share (%)
Receivables past due up to 3 months	3.47	83.6%
Receivables past due over 3 months to 6 months	0.06	1.4%
Receivables past due over 6 months to 12 months	0.06	1.4%
Receivables past due over 12 months	0.56	13.5%
TOTAL	4.15	100.00%

KUKE's Technical-insurance provisions

Technical insurance provisions (after taking into account reinsurers' share and estimated recourses)	31.12.2022 PLN millions	share %	31.12.2023 PLN millions	share %	change 2023/2022 PLN millions	change 2023/2022 %
Provision for premiums and unexpired risks	106.06	54.3%	117.58	57.8%	11.52	10.9%
Provisions for outstanding indemnities and benefits (after taking into account estimated recourses)	27.21	13.9%	32.47	15.9%	5.26	19.3%
Equalisation provision	52.37	26.8%	44.61	21.9%	-7.76	-14.8%
Provision for bonuses and discounts for the insured	9.72	5.0%	8.91	4.4%	-0.82	-8.4%
TOTAL ASSETS	195.36	100.0%	203.57	100.0%	8.21	4.2%

Differences in checksums are due to rounding.

10.2 Analysis of the Technical Insurance Account and General Income Statement

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

	performance I-XII 2022 PLN millions	performance I-XII 2023 PLN millions	change 2023/2022 PLN millions	change 2023/2022 %
Net premiums	86.86	88.32	1.46	1.7%
Gross premiums	181.09	189.02	7.93	4.4%
Net claims and benefits	-30.15	-52.41	-22.26	73.8%
Indemnities and benefits paid, net of reinsurance	-17.37	-47.16	-29.78	171.4%
Change in provisions for claims outstanding, net of reinsurance	-12.78	-5.26	7.52	-58.8%
Bonuses and discounts, net of reinsurance	-8.11	-4.89	3.22	-39.7%
Balance of other revenues and technical costs	2.09	3.84	1.76	84.1%
Cost of insurance activity	-22.23	-35.09	-12.87	57.9%
Acquisition costs	-28.17	-32.53	-4.36	15.5%
Administrative costs	-19.78	-23.99	-4.20	21.3%
Reinsurance commissions and share in reinsurers' profits	25.72	21.42	-4.30	-16.7%
Change in equalisation provision	-23.03	7.76	30.79	n/d
TECHNICAL RESULT ON INSURANCE	5.41	7.52	2.11	38.9%
Balance of revenues and costs from investment activities	22.50	38.39	15.89	70.6%
Balance of other operating income and expenses	39.72	26.29	-13.42	-33.8%
Balance of revenues and costs from State Treasury backed operations	39.85	26.57	-13.28	-33.3%
Gross financial result	67.63	72.20	4.57	6.8%
Income tax	-13.14	-14.68	-1.54	11.7%
NET FINANCIAL RESULT	54.49	57.52	3.03	5.6%

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 2023, net premium income (including the change in the reserve for unexpired risk) amounted to PLN 88.32 million, which was 1.7% higher than in 2022 and 6.74% lower than planned. The gross written premium of PLN 189.02 million increased by 4.4% compared to 2022, including a 4.2% increase in Group 14 insurance and a 5.4% increase in Group 15 insurance. The plan for gross written premium was achieved at 104.4%.

During the reporting period, net claims incurred amounted to PLN 52.41 million, compared to PLN 30.15 million in 2022 (YoY increase of 73.8%). In Group 14 insurance, the value of

this item increased by 115.9%, while in Group 15 insurance, it decreased by 87.3%. Net claims were 7.4% higher than planned. The largest contribution to the year-on-year change in net claims in 2023 came from indemnities and benefits paid net of reinsurance, which increased year-on-year by PLN 29.78 million (171.4%), with an increase in the reserve for unpaid indemnities and benefits net of reinsurance of PLN 7.52 million from 1 January 2023.

Insurance operating expenses in 2023 amounted to PLN 35.09 million, which was 57.9% higher than in 2022, driven

by a year-on-year increase in acquisition costs (by PLN 4.36 million, 15.5%) and administrative costs (by PLN 4.20 million, 21.3%) and a year-on-year decrease in reinsurance commission income (by PLN 4.30 million, 16.7%). The plan for insurance operating expenses was achieved at 100.6%.

In 2023, KUKE's technical result for insurance (before the change in the equalization reserve) was -PLN 0.24 million, including -PLN 8.55 million in Group 14 insurance and PLN 8.31 million in Group 15. According to insurance accounting principles, at the end of the year, KUKE released the equalization reserve to the extent of the negative technical result in Group 14 (PLN 8.55 million) and simultaneously established such a reserve in Group 15 as a safeguard against increased claims in future years (PLN 0.79 million). The balance of these operations increased KUKE's technical result for 2023 to PLN 7.52 million, which was 38.9% higher than in 2022. The plan for this parameter was achieved at 252.8%

Net investment income (PLN 38.39 million in 2023) increased year-on-year by 70.6%. The value of investment income was also 74.1% higher than planned. The balance of other operating income and expenses amounted to PLN 26.29 million, which was 33.8% lower compared to 2022, representing 631.7% of the plan. The commissions earned by KUKE in 2023 from State Treasury-guaranteed insurance were PLN 26.57 million higher than the costs of its administration. This value was 33.3% lower than the previous year and represented 684.2% of the plan.

In 2023, KUKE recorded a gross financial result of PLN 72.20 million, compared to PLN 67.63 million in the previous year (YoY increase of 6.8%). After accounting for income tax of PLN 14.68 million, the net financial result decreased to PLN 57.52 million. The net profit generated during the reporting period increased year-on-year by 5.6% (from PLN 54.49 million), exceeding the planned parameters by 143.4%.



10.3 Analysis of the Structure of Costs by Type

KUKE's key groups of costs by type

COSTS BY TYPE	performance I-XII 2022 mln	performance I-XII 2023 mln	change 2023/2022 mln	change 2023/2022 %	share I-XII 2022 %	share I-XII 2023 %
Depreciation and low-value fixed assets	1.33	1.82	0.48	36.3%	2.5%	2.9%
Materials and energy	0.59	0.66	0.07	12.7%	1.1%	1.1%
Rent	4.29	4.67	0.39	9.0%	8.2%	7.5%
Communication services	0.44	0.49	0.05	11.2%	0.8%	0.8%
Third party services	4.59	6.30	1.70	37.1%	8.8%	10.1%
Advertising	2.19	2.82	0.63	28.6%	4.2%	4.5%
Business trips	0.38	0.64	0.26	67.9%	0.7%	1.0%
Remuneration with overheads	36.07	42.05	5.99	16.6%	68.9%	67.7%
Employee benefits and training	1.93	2.04	0.11	5.7%	3.7%	3.3%
Other costs	0.56	0.66	0.10	18.2%	1.1%	1.1%
TOTAL	52.37	62.15	9.79	18.7%	100.0%	100.0%

Differences in checksums are due to rounding.

KUKE's costs by type in 2023 amounted to PLN 62.15 million, which represents an 18.7% increase compared to 2022. The plan for costs by type was realized at 86.2%.

The largest share (67.7%) of KUKE's costs by type in 2023 was attributed to salaries and related expenses, followed by external services (10.1%) and rents (7.5%). This structure is typical for financial institutions and fluctuates only slightly over the long term.

Compared to 2022, the highest nominal increase in the reporting period was recorded in the following cost categories:

- Salaries and related expenses - an increase of PLN 5.99 million (16.6%), of which personnel salaries, bonuses, and employee commissions, mainly due to the company's business growth, accounted for PLN 5.63 million (18.7%) more than in 2022;
- Third-party services - an increase of PLN 1.70 million (37.1%), mainly due to increased spending on services related to the development and maintenance of KUKE's IT systems (YoY increase of PLN 0.67 million, or 37.0%); and

- Marketing and promotion - an increase of PLN 0.63 million (28.6%), primarily driven by the costs of communication and promotional activities, with rising costs of acquiring services in the media and advertising market.

The highest growth rate in costs by type was noted in the business travel category (YoY increase of 67.9%), which resulted from the low base effect of 2022 and ongoing inflation. At the same time, in other categories, thanks to maintaining budget discipline, KUKE's costs remained only slightly higher than in 2022.

10.4 Analysis of Performance Indicators

Selected performance indicators

RATIO	DESCRIPTION	I-XII 2022	I-XII 2023
PROFITABILITY			
ROE	net profit/equity *	16.4%	14.6%
Return on insurance business	technical result/written premium net of reinsurance	5.4%	7.5%
Return based on gross premium	profit after tax/gross written premium	30.1%	30.4%
Return rate net of reinsurance	profit after tax/written premium net of reinsurance	54.1%	57.6%
CHANGE IN CLAIMS RATIO			
Gross	(gross indemnities and benefits paid +/- change in gross provisions)/ gross earned premium	35.3%	71.4%
Net	(indemnities and benefits paid net of reinsurance +/- change in provision net of reinsurance)/earned premium net of reinsurance	34.7%	59.3%
LEVEL OF OPERATING COSTS			
GROSS RATIOS			
Total activities, including::	costs of insurance activity**/gross written premium	26.5%	29.9%
acquisition costs	acquisition costs/gross written premium	15.6%	17.2%
administrative costs	administrative costs/gross written premium	10.9%	12.7%
RATIOS NET OF REINSURANCE			
Costs of insurance activity	costs of insurance activity*** /premium earned net of reinsurance	25.6%	39.7%

* average for beginning and end of year

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

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

In 2023, the loss ratios increased both based on gross premiums (71.4% compared to 35.3% in 2022) and on deductibles (59.3% compared to 34.7% in 2022). Concurrently, throughout the year, there was a deterioration in KUKE's operating expense ratios. The overall gross operating ratio increased from 26.5% in 2022 to 29.9% during the reporting period (with an increase in the acquisition cost ratio by 1.6 percentage points and an increase in the administrative cost ratio by 1.8 percentage points), and on the deductibles from 25.6% in 2022 to 39.7% in 2023.

In 2023, there was an improvement in the insurance business profitability ratio (from 5.4% in 2022 to 7.5% in 2023), the profitability ratio based on gross premium (from 30.1% in 2022 to 30.4% in 2023), as well as the profitability ratio on the

deductible (from 54.1% in 2022 to 57.6% in 2023). The return on equity (ROE) at the end of 2023 was 14.6% (compared to 16.4% in the previous year).

As at 31 December 2023, the Company met all the prudential standards required by law for conducting insurance activities.

Assets (PLN 000s)

	2023.12.31	2022.12.31
Intangible assets	8 641	4 027
Deposits	603 821	518 006
Real property	1 831	1 878
Investments in subordinated entities	66 646	62 236
Shares or interest in subsidiaries	51 529	47 101
Loans granted to subordinated entities and debt securities issued by these entities	15 118	15 135
Other financial investments	535 344	453 893
Debt securities and other securities with fixed income:	510 621	441 497
Deposits with credit institutions	24 723	12 396
Receivables	115 650	118 181
Direct insurance receivables	76 817	74 308
Reinsurance receivables, of which:	36 287	31 864
Other receivables	2 547	12 009
Other assets	292 566	220 801
Tangible fixed assets	4 308	2 162
Cash	288 258	218 639
Prepayments	30 363	28 099
Deferred income tax assets	7 641	7 900
Deferred acquisition costs	21 428	19 229
Other prepayments	1 294	970
TOTAL ASSETS	1 051 041	889 114

Liabilities (PLN 000s)

	2023.12.31	2022.12.31
Equity	425 359	360 075
Share capital	135 939	135 939
Share premium	181 877	128 772
Revaluation reserve	16 750	7 603
Other reserves	33 273	33 273
Profit (loss) after tax	57 520	54 488
Technical provisions	379 435	313 881
Provision for premiums and unexpired risk	205 031	176 070
Provisions for unpaid claims and benefits	114 952	69 237
Provisions for bonuses and rebates for the insured	14 842	16 203
Equalization provision	44 610	52 371
Reinsurers' share in technical provisions (negative)	168 186	115 048
Reinsurers' share in the provision for premiums and for unexpired risk	87 447	70 010
Reinsurers' share in the provision for claims outstanding	74 803	38 557
Reinsurers' share in the provision for bonuses and rebates for the insured	5 937	6 481
Recourses and recoveries estimated (negative)	7 683	3 473
Recourses and recoveries estimated, gross	12 805	5 827
Reinsurers' share in estimated recourses and recoveries	5 122	2 354
Other provisions	4 737	4 150
Provision for pensions and other compulsory employee benefits	1 714	1 647
Deferred tax asset provision	2 626	2 123
Other provisions	397	379
Other liabilities and special funds	388 408	302 510
Direct insurance liabilities	10 014	9 572
Reinsurance liabilities	79 102	67 856
Other liabilities	11 306	7 801
Special funds	287 987	217 280
Accruals	28 970	27 020
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1 051 041	889 114

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

	2023.12.31	2022.12.31
Premiums (1–2–3+4)	88 318	86 856
Gross written premiums	189 017	181 091
Reinsurers' share in the premium written	89 176	80 410
Change in provisions for premiums and unexpired risk, gross	28 960	22 734
Reinsurers' share in the change in the provisions for premiums	17 436	8 908
Other technical income net of reinsurance	10 150	8 157
Claims outstanding (1 + 2)	52 415	30 155
Claims paid out, net of reinsurance	47 155	17 373
Change in the provision for claims outstanding, net of reinsurance	5 260	12 781
Bonuses and rebates, net of reinsurance, including the change in provisions	4 893	8 115
Costs of insurance activity	35 094	22 228
Acquisition costs	32 525	28 165
Administrative costs	23 986	19 781
Reinsurance commissions and share in reinsurers' profits	21 417	25 718
Other technical costs, net of insurance	6 308	6 071
Changes in the equalization (risk) provisions	-7 761	23 031
Technical result of property and personal insurance	7 519	5 413

General Income Statement (PLN 000s)

	2023.12.31	2022.12.31
Technical result of property and personal insurance or life insurance	7 519	5 413
Investment income	38 964	22 998
Unrealized gains on investments	0	0
Investment charges	577	500
Other operating revenues	47 117	59 823
Other operating costs	20 823	20 107
Profit (loss) on operating activities	72 200	67 627
Profit (loss) before tax	72 200	67 627
Income tax	14 680	13 139
Profit (loss) after tax	57 520	54 488

Cash Flow Statement (PLN 000s)

	2023.12.31	2022.12.31
Cash flows from operating activity	108 010	243 060
Proceeds	620 624	633 100
Receipts from direct activities and inward reinsurance	196 040	177 477
Proceeds from premiums, gross	176 968	159 445
Proceeds from recourses, recoveries and returns of claims	9 901	10 270
Other proceeds from direct activities	9 171	7 763
Proceeds from outward reinsurance	57 619	34 163
Payments from reinsurers resulting from share in claims	27 463	10 625
Proceeds from reinsurance commissions and share in reinsurers' profits	29 217	23 312
Other proceeds from outward reinsurance	939	226
Proceeds from other operating activities	366 966	421 460
Sale of intangible assets and tangible fixed assets other than investments	145	6
Other receipts	366 821	421 454
Expenses	512 614	390 040
Expenses of direct activities and inward reinsurance	167 754	106 748
Claims paid, gross	77 754	29 485
Expenses related to acquisitions	41 432	35 249
Administrative expenses	31 885	27 057
Costs of loss adjustment and costs of enforcement of recourses	6 034	4 988
Other expenses from direct activities and inward reinsurance	10 649	9 969
Expenses on outward reinsurance	83 169	69 891
Expenses from other operating activities	261 692	213 401
Cash flows from investment activities	-37 142	-76 912
Proceeds	5 323 219	3 336 275
Expenses	5 360 361	3 413 187
Cash flows from financial activities	-1 249	-615
Proceeds	173	467
Expenses	1 422	1 083
Net cash flows, total	69 619	165 533
Balance sheet change in cash	69 619	165 533
Cash at the beginning of the period	218 639	53 106
Cash at the end of the period, of which:	288 258	218 639
- of limited availability	287 870	217 202



10.5 Assessment of KUKE's current and projected situation

After dynamic increases in premiums from commercial activities in recent years, due to the complex economic situation (inflation, raw material prices, GDP dynamics, investment and individual consumption development) in 2024, KUKE anticipates revenue stabilization in Group 14 (receivables insurance) (YoY increase of 8%) and a reduction in Group 15 (insurance guarantees) fees (YoY decrease of 4%). The total gross written premium is expected to exceed PLN 200.50 million, which is 6% more than in 2023.

After three years of exceptionally low loss ratios, 2023 saw a return to typical ratios for Group 14. It is forecasted that in 2024, the situation will stabilize and the net loss ratio for Groups 14 and 15 combined will be 53%.

The insurance operating expense ratio is projected to reach 44%. A significant part of the increase in operating costs, both in acquisition costs and administrative costs, is directly related to the growth of KUKE's policy portfolio, investment in new IT systems, and inflation. The relatively small increase in reinsur-

ance commission income is due to the higher loss ratios from 2022 and 2023.

A key determinant for achieving net profit is also maintaining a positive balance in the State Treasury-guaranteed insurance activities (PLN 7.66 million) and achieving the highest possible investment return (PLN 23.53 million from investment activities).

In 2024, KUKE plans to achieve a net profit of PLN 25.91 million.

Quantitative data and qualitative information regarding KUKE's solvency as at 31 December 2023, prepared under the Solvency II regime, will be disclosed within the timeframe specified by the Act on Insurance and Reinsurance Activity of 11 September 2015 in the Solvency and Financial Condition Report, which is subject to audit by an entity authorized to audit financial statements.

Janusz Władyczak

Signature Not Verified

Dokument podpisany przez JANUSZ WŁADYCZAK
Data: 2024.07.30 15:19:51 CEST

President
of the Management Board

Katarzyna Kowalska

Signature Not Verified

Dokument podpisany przez Katarzyna Kowalska
Data: 2024.07.30 16:34:48 CEST

Vice-President
of the Management Board

Warsaw, 25.03.2024 r.

