



Report on Activities of KUKE S.A.
in the Scope of Insurance Guaranteed by
the State Treasury in 2023



Contents

1 Legal Grounds for Insurance Guaranteed by the State Treasury	2
2 Non-market Risk Insurance	3
3 Insurance and Insurance Guarantees for Credit Periods of 2 Years and More	4
4 Other Insurance Guarantees	6
5 Total Liabilities of KUKÉ and Utilisation of Budget Act Limit	8
6 International Activities	9
7 Development of Insurance Products	12

Legal Grounds for Insurance Guaranteed by the State Treasury

The Act on Insurance Guaranteed by the State Treasury of 7 July 1994 (Polish Journal of Laws of 2020, item 1135, Journal of Laws of 2023, item 1859, hereinafter referred to as the "Act") entrusts to the Korporacja Ubezpieczeń Kredytów Eksportowych Spółka Akcyjna (hereinafter interchangeably referred to as "KUKE", the "Company", and the "Corporation") the conduct of operations on its own behalf in the scope of insurance guaranteed by the State Treasury. Furthermore, Article 5a of the Act specifies that the Budget Act will set a limit each year on the total liabilities of KUKE from guaranteed insurance as well as the anticipated disbursements from the State budget for loans granted to KUKE from the State budget.

On 13 July 2023, the Act was amended to introduce measures that will:

- Extend the capabilities of KUKE to operate more flexibly in exceptional economic circumstances (e.g.: pandemic, war in Ukraine) to ensure even more effective aid to domestic entrepreneurs (mainly exporters);
- Integrate KUKE into the climate transformation process.

The new solutions include:

- The possibility of providing reinsurance to other insurers when, due to the above-average risk or absence of reinsurance options on the commercial market, the insurance market will not be able to provide insurance coverage to economic operators. This will primarily involve transport risk reinsurance for commercial insurance undertakings, which will allow Polish entrepreneurs to perform transport to Ukraine and participate in the country's reconstruction process;
- The ability to offer insurance for the return of advance payments made by Polish companies for imports from coun-

tries with non-market risk (currently 160 countries, so-called emerging markets);

- The possibility to cover Polish branches of foreign entrepreneurs with insurance, on par with Polish entrepreneurs;
- The possibility of supporting climate transformation projects implemented in the territory of the Republic of Poland. The implemented transformation requires extensive investment projects and the mobilisation of financing from investors and banks. It is assumed that KUKE can play a key role, leveraging its significant experience in insuring investment projects and possessing the necessary instruments.

The Budget Act for 2023 set a total limit of PLN 30,000,000 thousand, which the total liabilities of KUKE from State Treasury-backed export insurance and insurance guarantees cannot exceed (terms used in the Act prior to the amendment of 13 July 2023). Additionally, the Minister of Finance was authorised to grant loans to KUKE from the State budget funds for the payout of State Treasury-backed indemnities from export insurance and insurance guarantees up to PLN 1,483,000 thousand.

Non-Market Risk Insurance

In the field of export contract insurance under 2 years of credit, KUKE received 367 insurance applications in 2023, an increase of 32.0% compared to 2022.

In 2023, 121 policies were signed, including 119 revolving policies and 2 individual policies. The number of signed policies increased year-on-year by 24.7%. As at 31 December 2023, there were 992 active policies, which is 10.8% more than on 31 December 2022.

In 2023, the total value of insured turnover came to PLN 3,707.60 million, 17.4% higher than in 2022. Revolving policies accounted for 99.90% of the insured receivables by KUKE (PLN 3,704.06 million), while other individual policies accounted for 0.10% (PLN 3.53 million).

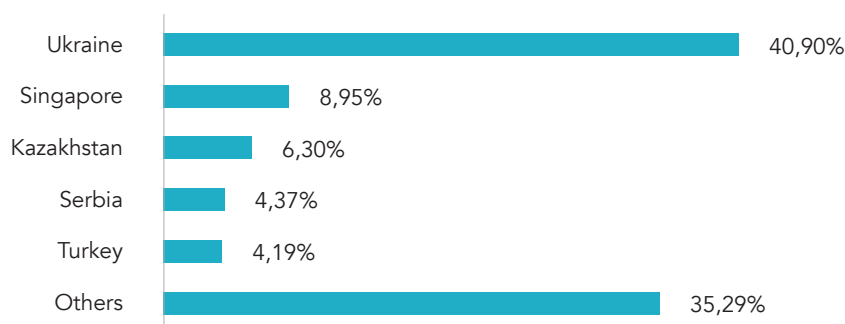
The geographical structure of non-market risk insurance was dominated by receivables from Polish exporters' counterparts

in Ukraine (40.9%), Singapore (8.9%), and Kazakhstan (6.3%).

The highest year-on-year growth in the value of insured turnover was recorded with debtors from Ukraine (from PLN 815.33 million in 2022 to 1,516.52 million in 2023, an increase of 86.0% YoY), and Singapore (from PLN 168.89 million in 2022 to PLN 331.73 million in 2023, an increase of 96.4% YoY).

At the same time, the highest year-on-year decrease in the above item was observed with counterparties from Belarus (from PLN 255.07 million in 2022 to 52.41 million in 2023, a decrease of 79.5% YoY), and Russia (from PLN 196.19 million in 2022 to PLN 0.00 million in 2023, a decrease of 100.0% YoY), which was due to KUKE's suspension of granting new credit limits for counterparties from Belarus (recognising it as a state supporting Russia's aggression in Ukraine) and KUKE's cancellation of credit limits for counterparties from Russia (due to EU sanctions)

Geographical Structure of Non-market Risk Insurance Turnover in 2023:



Insurance and Insurance Guarantees for Credit Periods of 2 Years and More

The value of insurance protection provided in 2023 for export contracts and credits as well as insurance guarantees with a repayment period of 2 years and more amounted to PLN 3,165.25 million (2.2% change YoY).

The number of policies concluded and guarantees issued (23) increased by 109.1% compared to the previous year, while the

number of active policies and guarantees as at 31 December 2023 (82) increased by 28.1%.

The number of new insurance/guarantee agreements, active insurance/guarantee agreements, and the total insurance/guarantee value for credit periods of 2 years and more in 2022-2023:

Geographical Structure of Insurance and Guarantee Agreements

for credit periods of 2 years and more concluded in 2023

Debtor's Country	Number	Value (in PLNm)	Share (%)
Poland	19	1,570.58	49.62%
Turkey	1	1,518.49	47.97%
Great Britain	1	50.90	1.61%
Ivory Coast	1	15.87	0.50%
Germany	1	9.41	0.30%
TOTAL	23	3,165.25	100.00%

Differences in checksums are due to rounding.

Sectoral Structure of Insurance and Guarantee Agreements

for credit periods of 2 and more years concluded in 2023

Sector	Number	Value, (in,PLNm)	Share (%)
Construction Services	3	1,772.21	55.99%
Undefined	10	614.76	19.43%
Food Processing Machinery	5	431.87	13.64%
Energy Machines and Equipment	1	260.33	8.22%
Ships	1	40.57	1.28%
Other industrial machinery	1	16.47	0.52%
Means of transport	1	15.87	0.50%
Agricultural machines and equipment	1	13.17	0.42%
TOTAL	23	3,165.25	100.00%

Differences in checksums are due to rounding.

The premiums written for insurance for credit periods of 2 years and more in 2023 amounted to PLN 122.43 million. This value included premium revenues from insurance agreements concluded during the reporting period with a total value of PLN 141.77 million (primarily from the largest unit value allocated for the financing of an export contract for the construction of a railway line in Turkey for PLN 137.93 million), and premium returns made due to corrective invoices for previous years' contracts amounting in total to PLN -19.34 million. Additionally, the premiums written for guarantees for domestic investments generating export amounted to PLN 35.15 million. The total revenues from the premiums written for insurance and guarantees for credit periods of 2 years and more in 2023 amounted to PLN 157.58 million, 42.8% lower than in 2022.

The value of the collected premiums from the aforementioned insurance and insurance guarantees in 2023 amounted to PLN 217.81 million, 11.9% lower than the previous year (PLN 247.29 million). Such a high figure primarily resulted from the collected insurance premium from the contract concluded in 2023 with the largest unit value intended to finance the export contract for the construction of a railway line in Turkey in the amount of PLN 137.93 million. The collected premium

from guarantees for domestic investments generating export amounted to PLN 32.93 million in the analysed period.

In 2023, six indemnities were paid out under State Treasury guaranteed insurance and insurance guarantees with a repayment period of 2 years and more, totalling PLN 60.47 million.

In relation to 2022, the value of indemnities paid out increased by 575.7%.

In 2023, recourse proceedings were conducted within insurance from export contracts and credits with a repayment period of 2 years and more in relation to 17 cases, with total indemnities paid out amounting to PLN 501.82 million. As at 31 December 2023, recourse proceedings within insurance from export contracts and credits with a repayment period of 2 years and more were conducted in relation to 16 cases with indemnities paid out amounting to PLN 112.19 million.

As a result of these activities, the income obtained from recourses obtained in 2023 came to PLN 11.32 million. Compared to 2022, the value of the recourses obtained decreased by 25.9%.

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Other Insurance Guarantees

In 2023, KUKE granted 332 other insurance guarantees backed by the State Treasury with a total value of PLN 1,455.42 million.

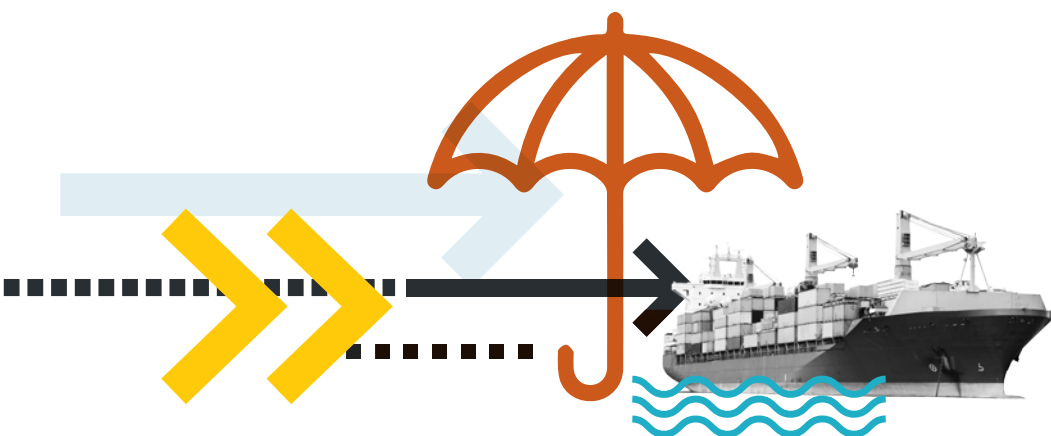
Compared to 2022, both the number (1.8% decline) and the value (down 66.5%) of the granted guarantees decreased.

Guarantees Granted in 2023

broken down into contract guarantees, credit repayment guarantees, and insurance guarantees for the payment of receivables from letters of credit

Types of Guarantee	Liczba	Value (in PLNm)	Share (%)
Contract Guarantees	158	428.33	29.43%
Credit Repayment Guarantee	116	799.25	54.92%
Insurance guarantees for the payment of receivables from letters of credit	58	227.84	15.65%
TOTAL	332	1,455.42	100.00%

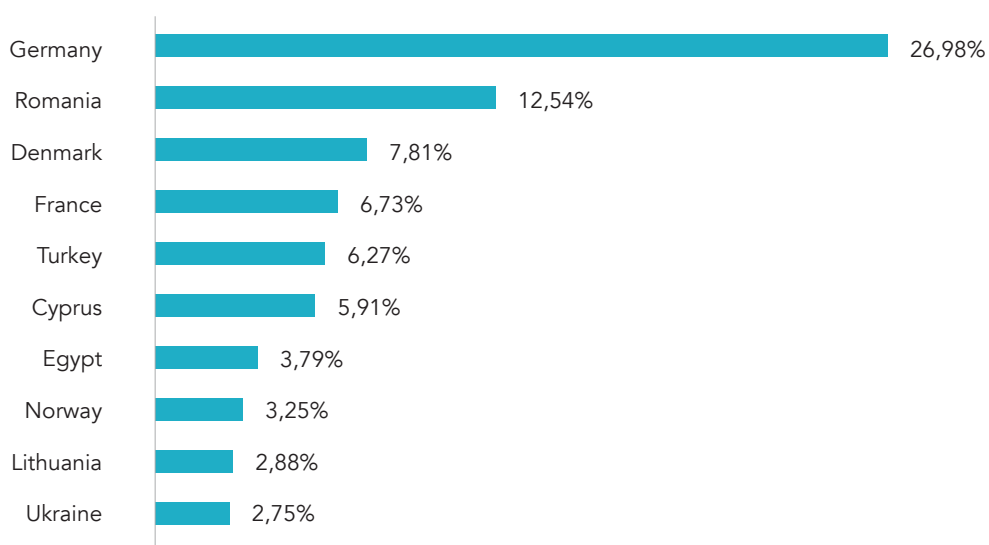
Differences in checksums are due to rounding



As at 31 December 2023, there were 408 active guarantees, which constituted a year-on-year decrease of -20.2%.

Under the government programme in cooperation with BGK, 49 insurance guarantees for the payment of receivables from letters of credit were issued, with a total value of PLN 127.67 million.

Geographical Structure of Insurance Agreements in 2023



The remuneration from insurance guarantees issued in 2023 and the extension of validity periods of guarantees granted in previous years amounted to **PLN 38.59 million**, 26.1% lower than in 2022 (PLN 52.23 million).

The value of remuneration collected from the aforementioned guarantees in 2023 amounted to **PLN 38.04 million**, which was 27.6% lower than the previous year (PLN 52.52 million).

In the reporting year, 32 disbursements worth **PLN 16.46 million** were made.

Compared to 2022, the value of disbursements increased by 5.5%.

Total Liabilities of KUKE and the Utilisation of the Limit Set in the Budget Act

The Budget Act for 2023 set a limit of PLN 30,000 million, which the total liabilities of KUKE from State Treasury-backed insurance could not exceed (compared to PLN 19,000 million in 2022).

As at 31 December 2023, the utilisation of the aforementioned limit (calculated in accordance with Resolution No. 17/2021 of the Export Insurance Policy Committee of 6 September 2021 regarding the detailed rules of KUKE's operations in determining the percentage utilisation index of the limit set in the Budget Act, which the total liabilities under State Treasury guaranteed export insurance cannot exceed), amounted to **PLN 22,600.20 million**, that is

75.33%, including:

- PLN 2,034.51 million, or 6.78% in the scope of non-market risk insurance;
- PLN 12,512.40 million, or 41.71% in the scope of insurance and insurance guarantees for credit period of 2 years and more;
- PLN 8,053.30 million, or 26.84% in the scope of other insurance guarantees.

The value of KUKE's liabilities from State Treasury guaranteed insurance as at the reporting date increased by 30.00% compared to the previous year.



International Activities

Organization for Economic Co-operation and Development (OECD)

Similarly to the previous years, KUKE, in collaboration with the Ministry of Finance, participated in the ongoing modification of OECD Consensus text¹, conducted within the Group Participants to the Arrangement on Officially Supported Export Credits. The constant review of the document aims to ensure equal financing conditions and fair competition among exporters by incorporating current technical standards, sector-specific needs, and political and economic decisions. In light of the above, new rules regarding the Commercial Interest Reference Rate (CIRR), extension of maximum repayment periods, reduction of minimum insurance premiums for longer repayment periods, and additional flexibility in the credit repayment profile came into effect in July 2023. More favourable conditions were also introduced for projects significantly contributing to climate change mitigation and green transformation.

Temporary flexible requirements regarding a minimum 5% down payment for transactions aimed at public buyers from Category II countries were in force until 4 November 2023. Upon their expiration, the previous rules of a 15% down payment and a maximum official support limit set at 85% of the export contract value were reinstated. However, from 14 December 2023, the possibility of reducing the minimum down payment requirement to 5% for transactions with public buyers from Category II countries with a country risk classification of 5, 6 or 7 was introduced. Representatives of KUKE, as in previous years, participated in the work of the OECD Council's Practitioners Group on the Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence, which regularly exchange experiences and information on socio-environmental policies. During last year's meetings, experts continued discussions on national environmental policies, human rights, climate change, addressing environmental risks in financial analysis, and biodiversity.

On the forum of the OECD Working Party on Export Credits and Credit Guarantees (ECG OECD), work continued on the review of the Common Approaches and the OECD Council Recommendations on Sustainable Lending, as well as the implementation of anti-corruption practices (Recommendation on Bribery in Officially Supported Export Credits).

In the fourth quarter, the annual consultation with representatives of civil society organisations (non-governmental organisations and trade associations), export credit agencies, experts from ECG member states, and signatories to the Arrangement on Officially Supported Export Credits were traditionally organised. The event was an opportunity to summarise current work on the OECD forum and discuss further challenges in public export support, particularly in the context of combating climate change and supporting sustainable development.

European Union

In April 2023, a report on the European strategy for export credits (Feasibility study on an EU strategy on export credits)² was published. The study was conducted by an external consultant commissioned by the European Commission. Based on an analysis of the needs of EU exporters and national export support systems and instruments available at the community level, recommendations and potential mechanisms for

1 The term "OECD Consensus" is interchangeably used with the *Arrangement On Officially Supported Export Credits*.

2 <https://op.europa.eu/en/publication-detail/-/publication/4aa-03d2a-08cc-11ee-b12e-01aa75ed71a1>.

implementing the EU strategy were formulated. In this spirit, work was initiated to coordinate between different institutions and external financing instruments available in member states and provided by EU institutions. The experiences and role of national export credit agencies in mobilising private capital and participating in the successful implementation of the EU Global Gateway strategy and pilot projects were also discussed.

Simultaneously, work continued on developing guarantee mechanisms aimed at mitigating the economic effects of the war in Ukraine and a series of actions were undertaken to enable European exporters and export credit agencies to participate in the country's post-war reconstruction.

Regulation (EU) No. 1233/2011 of the European Parliament and of the Council on the application of certain guidelines in the field of officially supported export credits and repealing Council Decisions 2001/76/EC and 2001/77/EC implemented the OECD Consensus into the EU *acquis communautaire* and imposed a reporting obligation on member states regarding activities in the field of officially supported export credits. In fulfilling this obligation, member states once again provided appropriate information regarding insurance with repayment periods of 2 years or more.

Berne Union

KUKE participated in the work of the Berne Union, whose main task is to promote the highest international standards of export credit insurance and to strengthen the activities of private and public agencies in supporting national exports and the global economy, as well as to facilitate the establishment of contacts, and sharing of experiences and knowledge by insurers. Last year's plenary meetings and workshops focused on topics related to broadly understood transformation, climate challenges, post-war reconstruction of Ukraine, reinsurance, claims and recoveries, products dedicated to SMEs, project finance transactions, current market trends, and the situation in international trade. The Committee on Short-Term Insurance has been chaired by Katarzyna Kowalska, Vice President of the Management Board of KUKE, since January 2023.

Bilateral Cooperation

In mid-2023, workshops with the Croatian counterpart of KUKE - HBOR (Hrvatska Banka za Obnovu i Razvitak), were held,

during which KUKE solutions offered to both domestic and international clients, debt recovery methods, and reinsurance practices were presented.

During the annual conference of the Berne Union held in Brussels, a Cooperation Agreement was signed with the Greek counterpart (ECG, Export Credit Greece). In May 2023, during the official visit of the Japanese government, a Cooperation Agreement with NEXI (Nippon Export and Investment Insurance Japan) was also signed. At the end of 2023, KUKE negotiated a Cooperation Agreement with Dhaman, an organisation supporting exports in the Gulf countries, based in Kuwait. Its official signing, due to the conflict in Palestine, was postponed to 2024.

KUKE expects that all Cooperation Agreements will translate into the involvement of companies from these countries in investments in Poland and, at the same time, enable Polish companies to integrate into global supply chains. Thanks to cooperation with entities located in the aforementioned countries, KUKE manages to integrate Polish companies into the Shop in Poland project in collaboration with general contractors from various countries – mainly Turkey, Spain, and Dubai. Through this project, KUKE also encourages domestic companies to engage in international cooperation in infrastructure projects carried out mainly in Africa but with possibilities covering practically the entire world. To this end, the Corporation actively seeks projects by participating in various conferences and symposia organised in Poland within bilateral Chambers of Commerce (e.g., Polish-Egyptian Chamber of Commerce) or in cooperation with the Ministry of Foreign Affairs, as well as abroad, participating as speakers in conferences under TXF, GTR, ExCred, and the Berne Union.

The year 2023 was marked by KUKE's involvement in the project to rebuild Ukraine. KUKE participated in numerous events related to this topic both in Poland and abroad. A representative of the Ukrainian ECA was trained on products offered by KUKE. The Corporation took part in promoting the involvement of Polish companies in the reconstruction of Ukraine at fairs in Poznań and during the Economic Congress in Katowice, as well as actively participating in symposia organised by the Polish-Ukrainian Chamber of Commerce.

Development of Insurance Products

In 2023, the development of a new export support system, announced in March 2021, continued. An information and training campaign was ongoing, including a series of conferences, webinars, and individual meetings about the new export support system, aimed at current and potential clients: domestic entrepreneurs, foreign investors, banks, and financial institutions.

Similarly to the previous year, the information and training campaign conducted by KUKE on the new export support system yielded tangible results in 2023, including:

- In the field of insurance guarantees for credits intended to finance domestic investments generating exports:
 - KUKE entered into framework agreements or prepared to enter into such agreement with more Polish and foreign banks/financial institutions;
 - 2023 saw KUKE issue further guarantees, significantly increasing both their number and value compared to the previous year;
 - Work is ongoing on several additional transactions in this area.
- In the field of credit insurance for financing direct investments abroad:
 - After the first insurance agreement was signed in 2022, two more agreements were signed in 2023 for credits for investments in Spain and Mexico, and a decision was made to insure a credit for financing an investment in China;
 - Work is ongoing on several other transactions in this area.

Considering the experiences gained during the implementation of the new export support system, in 2023, the Management

Board of KUKE adopted modifications to the product introduced by the KUKE Management Board Resolution No. 162/IN/P/2020 of 30 December 2020 regarding the detailed rules of KUKE's operations in the field of State Treasury guaranteed insurance guarantees for credits intended to finance domestic investments generating exports.

Additionally, thanks to the new opportunities that arose following the entry into force of the Act of 13 July 2023 amending the Act on State Treasury Guaranteed Export Insurance, in 2023, the Management Board of KUKE adopted resolutions to introduce a new product to KUKE's offering. This product aims to facilitate Polish entrepreneurs' domestic investments related to energy transformation by providing easier access to investment credits through repayment guarantees issued by KUKE to financing entities. Currently, the project for the new guarantee product is undergoing consultations with the European Commission.

In 2023, there was a modernisation of the payment insurance guarantees related to exports. The introduced changes were based on experiences gained from client relations during the over two years of the product range's operation. They aimed to introduce new possibilities within existing guarantee solutions and to refine some existing rules. Among the changes was the ability to provide guarantees under a single general agreement for affiliated companies operating within a group, and the principles for setting the minimum rate for this type of solution were defined. Additionally, examples of instruments and solutions covered by the offered guarantees were specified.

Considering the solutions contained in the Act of 13 July 2023 amending the Act on State treasury guaranteed export insurance and some other acts, which introduced the possi-

bility for KUKE to support agreements or investments carried out in the territory of the Republic of Poland, enabling the commencement, continuation, or development of business activities making a significant contribution to climate change mitigation, a project for analogous guarantee solutions available to domestic entrepreneurs in the form of payment insurance guarantees related to exports was also prepared. The principles

Policy Without Borders, Safe Contract Policy

Due to the ongoing war in Ukraine, KUKE continued the insurance protection programme for receivables from Ukrainian contractors in 2023. This protection is offered to exporters under the strategic product Policy Without Borders. According to a resolution of the Export Credit Insurance Policy Committee (Komitet Polityki Ubezpieczeń Eksportowych - KPUE) from June 2022, PLN 500 million was allocated for this purpose (including guarantees related to letters of credit). Based on another KPUE resolution in January 2023, this amount increased to PLN 1 billion and additionally included the Safe Contract Policy (individual policy).

During the Organisation for Economic Co-operation and Development (OECD) meeting on 25-26 January 2023, Ukraine's classification was downgraded from class 6 to class 7. As a result, insurance rates for receivables from Ukrainian contractors should be increased. However, to ensure insurance protection for Polish entrepreneurs' cooperation with the Ukrainian market under existing conditions, in February 2023, the KPUE adopted a resolution to maintain insurance rates at the previous level, as applied to contractors from class 6 countries.

Due to the amendment to the Act on State Treasury Guaranteed Export Insurance, KUKE introduced two clauses to the Policy

of providing guarantee solutions, unlike the solutions operating within KUKE's activities in the field of State Treasury guaranteed payment insurance guarantees related to exports do not contain an export condition and are not limited in terms of the repayment period of liabilities. Currently, the aforementioned project for the new guarantee product is undergoing consultations with the European Commission.

Without Borders insurance:

- An advance payment return insurance clause (targeted at exporters using import components in their operations, enabling the protection of advance payments made for imports from countries with non-market risk);
- An insurance clause for Polish branches of foreign companies (targeted at branches of foreign companies conducting export activities from Poland, enabling the insurance of receivables of Polish branches of foreign entrepreneurs).

In May 2023, KUKE introduced the Agro+ offering, an additional insurance option within the Policy Without Borders. The new variant of protection insured receivables from contracts exclusively for grain deliveries. Agro+ was offered on preferential terms, with a rate reduced by 25%. Due to the low interest, the Agro+ variant was withdrawn from KUKE's offering in November 2023.

Additionally, in 2023, the List of counterparty countries within the Policy Without Borders product was modified three times in connection with the changes in country classification by the OECD.

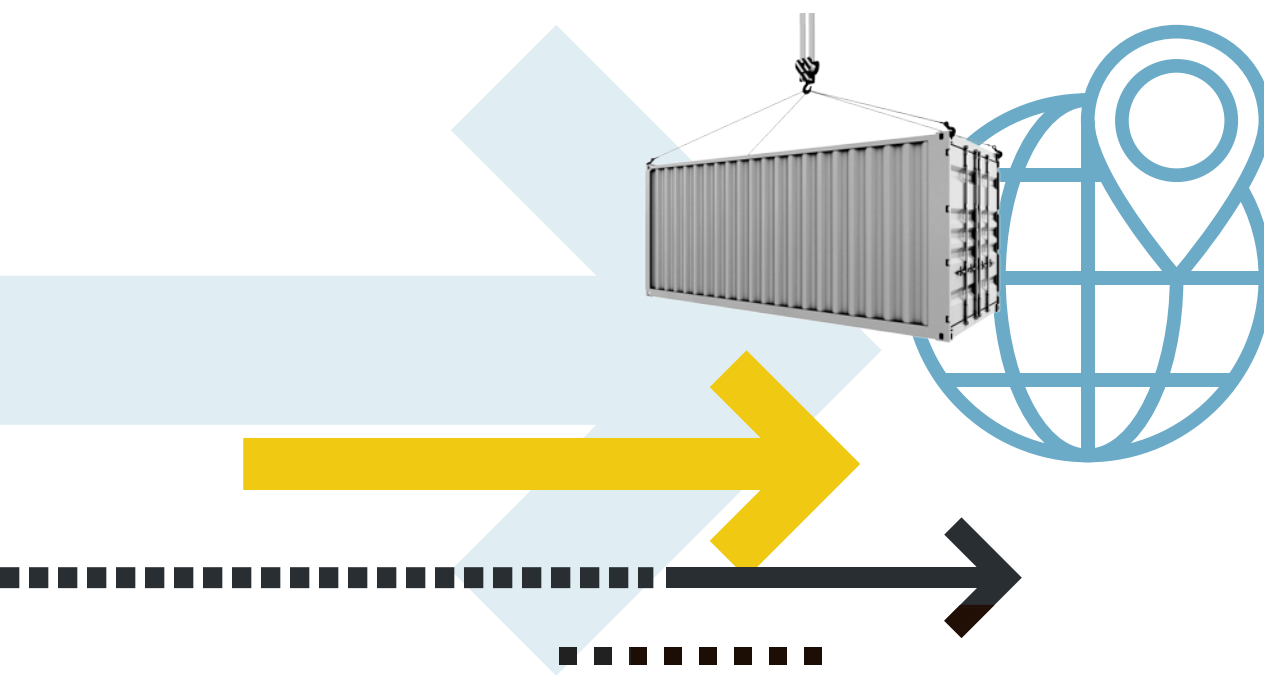
Program reasekuracji ubezpieczeń transportowych w związku z konfliktem zbrojnym w Ukrainie

In 2023, KUKE continued work on a transport risk reinsurance programme. The reinsurance is aimed at insurance companies offering transport insurance to Polish road carriers operating in Ukraine. Currently, due to the ongoing military actions in Ukraine, commercial insurance companies exclude war risks from OC (third-party liability) and AC (comprehensive) insurance coverage. This makes transport in Ukraine impossible.

To introduce the aforementioned solution to the market, a change in the Act on guaranteed insurance was particularly required. In 2022 and 2023, KUKE undertook several related actions, including conducting a survey of carriers' needs, consultations with industry organizations, and meetings with the Ukrainian side to ensure the introduced solution is com-

prehensive and fully addresses the needs reported by all stakeholders.

By introducing the reinsurance product designed by KUKE into the offering, commercial insurers will be able to restore OC/AC insurance offerings for the Polish transport industry. The reinsurance will transfer the war risk from insurers to KUKE, taking responsibility for transport damages in this context. Polish companies will be able to resume transport activities and restore goods transport communication in both directions..



Janusz Władyczak

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Warsaw, 27.03.2024 r.

