



# Annual Report 2022

Management Board's report on the activity  
of the PZU Group and PZU SA  
for the accounting year ended 31 December 2022









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Fulfilling the requirements of the Accounting Act, PZU presents a separate Report on non-financial information of the PZU Group and PZU SA.



Pursuant to Art. 49b.9 of the Accounting Act, the statement of nonfinancial information is available on the Company’s website at: <https://www.pzu.pl/relacje-inwestorskie/raporty>

Legend of iconographics used in the report:

-  insurance
-  health
-  investment
-  banking
-  innovation





## CEO Letter to Shareholders



**Beata Kozłowska-Chyła, Ph.D. Hab.**

President of the PZU Management Board

Dear Shareholders,

I submit to you the report on the activities of the PZU Group for the year 2022. This was a period in which we faced many challenges related to the geopolitical and macroeconomic situation. After Russia's assault on Ukraine, the global and Polish economies came under tremendous pressure. The war-induced energy and food crisis, as well as problems in supply chains, have contributed to rising inflation. The great flexibility and adaptability of the Polish economy and the government's anti-crisis measures had us avoid a major crisis; nevertheless the aforementioned factors still affect our business and the lives and plans of our current and potential clients and employees on many levels.

Given the dynamics of change and the difficult-to-predict conditions in which we had to operate, we can consider 2022 a time well spent, in which we achieved the goals we had set. Once again, we have proven the high resilience and effectiveness of our business model, the efficiency of those who manage and oversee our operations, and the commitment of our employees. This is evidenced by the financial results achieved, as well as the growth of operations in all of the PZU Group's key markets, the certainty and quality of protection provided to clients, and the benefits generated for shareholders. The extraordinary challenges we faced last year confirmed that the goals we set in the Strategy for 2021-2024 and the decisions we made during its implementation were correct. Consistent implementation of strategic goals has been the best response to these challenges.

### Sales at historic levels

In 2022, the PZU Group achieved its highest-ever gross premiums written of PLN 26.7 billion, exceeding its 2024 strategic target in advance by more than PLN 0.5 billion. Compared to the previous year, the premium written increased by PLN 1.6 billion, which translated into record sales at both the quarterly and full-year levels. This shows that even from a leadership position with the largest share in a highly competitive market, we are able, through deep analysis and understanding of customer expectations and innovation in creating tailored products and services for them, to continuously develop our core business. The scale of insurance sales ranks the PZU Group first in the entire CEE region.

Structurally, non-life insurance was the main driver of premium written growth. In the mass segment, we achieved the highest sales growth in MOD insurance, which increased its share of total premium written by more than PLN 400 million in 2022. Increasingly rapid replenishment of mandatory motor vehicle owners' TPL policies with MOD policies has been observed since the beginning of 2021. Between 2017 and 2020, this saturation level increased by 2 percentage points, while from the end of 2020 to 2022, it has already increased by 2.6 percentage points. With our activity, PZU will be the biggest beneficiary of this trend. In the corporate segment, on the other hand, we increased insurance sales in the non-commercial segment the strongest – by more than PLN 680 million year-on-year.

In 2022, we generated the highest net income since PZU SA's debut on the Warsaw Stock Exchange 13 years ago. Profit attributable to owners of the parent company amounted to PLN 3.374 billion, implying a return on equity (ROE) of 19.5% – 2.1 p.p. above strategic ambitions and 0.9 p.p. above 2021 levels. It is worth noting that we achieved this result with regular dividend payments. Since 2010, PZU SA has already allocated a total of more than PLN 27.2 billion for dividend payments to shareholders.

Contributing to the solid net result was not only growing sales, but also the maintenance of favorable profitability in the core business and the good results of the placement business. The combined ratio (COR) in property insurance remained at a good 89.8% (up 0.7 p.p. y/y), the margin in group life and individually continued insurance increased by 5 p.p. y/y – to 17.4%, while the return on the core portfolio was 5.2%.

The high interest rate environment, on the one hand, affected the decline in mortgage loan sales and worsened the performance of PZU Group banks, while on the other hand, it allowed the Group to optimize its investment portfolio by renewing maturing sovereign bonds at higher profitability, as well as offering clients life and endowment insurance with a more attractive guaranteed upfront rate of return. Despite the decline in loan demand and the significant increase in operating costs that the banking sector was subjected to, the contribution of banking activities to the PZU Group's result in 2022 was nearly PLN 580 million, only 4% less than a year earlier.

### Organic growth and acquisitions

At the halfway point of our “Potential and Growth” Strategy planned for 2021-2024, we can say that its implementation is proceeding very smoothly and underpins the solid repeated results we have achieved in recent years. In the past year, we focused on better understanding client needs, introducing new and refreshing existing property and life products, and further digitizing business processes.

Our ambition to make the PZU Group a provider of comprehensive solutions that will help clients protect and multiply their assets, properly ensure their own and their family's health and financial security, seamlessly align their business to operate in a sustainable manner, and build engaging and business-efficient relationships with employees, taking into account the care of their loved ones, remains fully relevant. To this end, we are steadily expanding ecosystems that integrate a range of products and services – from insurance to banking, investment to medical and extended assistance packages, targeting many customer groups, including drivers, those interested in the best health care, seniors or employers.

We are taking advantage of new sales opportunities opened up by our cooperation with banks and strategic partners – major

energy suppliers, leading e-commerce and service providers. In particular, we are building synergies with PZU Group banks, implementing more insurance products in the banking channel – linked to banking services and stand-alone. In the latter case, an important step was to enable the purchase of PZU motor policies in all branches of Bank Pekao in Poland from November 2022.

Thanks to the PZU Group's innovation, both in terms of its offerings and the technological solutions it implements, we are co-creating trends and new standards that are redefining the insurance business today. In 2022, for example, we successfully developed the unique Risk PRO program. Our insurance clients get ongoing support from PZU Lab engineers and experts who diagnose potential risks and gaps in production, warehouse or logistics processes, select appropriate monitoring tools using, among other things, the Internet of Things, and then analyze the returned data on an ongoing basis, proposing solutions to strengthen security and protect clients from millions in damage. Last year we also offered clients the PZU iFlota system for comprehensive management of company fleets, which allows, among other things, to analyze the structure and cause of damage in the fleet and automatically generates recommendations for prevention activities. The iFlota system recently gained a module to guide through each step of the complex fleet electrification process.

We are making increasing use of artificial intelligence algorithms and robotic process automation (RPA) not only to streamline internal operations, but more importantly to improve the client experience. For example, we have implemented a solution that instantly and objectively analyzes photos of vehicle damage and cost estimates from repair shops – it already handles more than 500,000 vehicle damages per year, significantly speeding up claims procedures. At the end of September of last year, we became the first insurer in our region of Europe to introduce the AiHome app for handling damage to home movables, in cooperation with a Swedish startup. It was also the year we completed testing AI algorithms in handling crop damage caused by hurricanes and torrential rains. They analyze satellite images of crops, allowing them to accurately determine the area and extent of damage, thereby reducing their handling time.

The PZU Group's organic business growth in key markets is complemented by well-conceived acquisitions. In July 2022, we acquired TFI Energia from PGE SA and subsequently merged it with TFI PZU. Thanks to the integration of the companies, we have significantly increased the assets under management and gained valuable clients, such as employees in the energy sector, who can invest their funds through TFI PZU. Last November, we signed a letter of intent with PKN ORLEN about the possibility of PZU acquiring all the shares of Polski Gaz TUW and Polski Gaz TUW na Życie. We look forward to the implementation of this agreement, which will allow us



to offer the best insurance cover to PKN ORLEN Group, which has become one of Europe's largest multi-utility companies.

**Balanced Growth**

The year 2022 was marked by intensive implementation of ESG criteria in all business segments and at all management levels of the PZU Group. We reduced carbon dioxide emissions from PZU's own sources and PZU Życie by a total of 25.5% over the duration of the strategy. We also compensated for the portion of emissions that we could not reduce in 2021 through the UN platform's purchase of certified offset units, corresponding to 17,500 tons of CO2 equivalent. We are effectively building a position as a trusted partner in the energy transition of the Polish economy. We have increased our financial commitment to wind farm projects to PLN 420 million. We have introduced or developed innovative eco-products to facilitate our clients' participation in the green transition, from insurance for renewable energy installations and EVs, to funds that enable investment in shares of the world's leading renewable energy companies.

We act responsibly, being aware of the PZU Group's great influence on the Polish economy and society. We are actively involved in solving the most important problems, taking measures to improve the quality of life of Poles primarily in the spheres of financial security and health. To this end, we are developing numerous proprietary prevention programs aimed at reducing the post-pandemic "health gap" and promoting healthy lifestyles and prevention. One example is PZU's Good Team, which supports the development of the sports passions of children and young people. In 2022, the program's beneficiaries already totaled more than 70,000 from nearly 400 clubs, teams, unions, academies and sports associations. We also sponsor outstanding athletes who are idols and inspire our compatriots and promote Poland – led by the world's best tennis player Iga Świątek. The year 2022 brought excellent media results from this already two-year cooperation, fully fulfilling PZU's stated goals, and for the sponsored athlete it was a year of numerous sports successes.

In the wake of Russian aggression against Ukraine, the PZU Group has actively joined the nationwide campaign to help neighbors affected by the war. In addition to in-kind and financial assistance, we initiated a custom action that was a great success. In the two months since the war broke out, PZU issued more than 54,000 insurance policies for cars of Ukrainian refugees entering Poland who had not managed to purchase mandatory insurance. 30-day liability policies, covering the cost of these premiums with their own funds.

A very important event for us, fulfilling the goals in each of the areas described by the ESG criteria, was the finalization of the move of our headquarters to the PZU Park office building in Warsaw. More than 4,500 employees of the PZU Group

have been given a modern, ergonomic, friendly workplace, adapted to modern expectations and standards. The building itself reduces its carbon footprint by more than 2,500 tons of CO2 per year, thanks to the eco-friendly materials and technologies used, and its location encourages employees to use environmentally friendly forms of transportation. The move was correlated with the permanent implementation of a hybrid work model that fosters employee engagement and makes it easier for employees to balance work and family responsibilities. Employees have received extensive support during this transition, including the launch of a new well-being program.

The PZU Group's strong, stable capital position and solid financial performance, in particular sales growth and high profitability in key business segments, have allowed us to strengthen our competitive advantages and enter 2023 with confidence. Despite the exceptionally challenging macroeconomic environment, we are well positioned to successfully pursue the PZU Group's strategy, including the adopted dividend policy.

I have no doubt that we have built a strong, turbulence-proof and highly effective business model. Thanks to the support of the Supervisory Board, the commitment of all Employees and our Partners, as well as the trust of Shareholders and Customers, we are able to meet the market challenges and implement the declarations we make.

Respectfully



Beata Kozłowska-Chyła, Ph. D. Hab.

President of the PZU Management Board





# Chairman of the Supervisory Board Statement



**Robert Jastrzębski, Ph. D. Hab., Assoc. Prof.**  
Chairman of the PZU Supervisory Board

Dear Sirs,

the most important event of 2022, affecting the economic situation in the world and Poland, was Russia's attack on Ukraine. In its aftermath, as before with the COVID-19 pandemic, the business environment has changed significantly. Households and businesses today are facing the effects of rising inflation and the actions of central banks responding to this challenge.

**Key stability**

The PZU Group's operations, in this uncertain environment, have been characterized by great stability and resilience. Effective risk management and a secure investment portfolio structure have allowed the company to maintain a strong capital position under the Solvency II regime. During the past year, S&P Global Ratings' ratings for PZU and PZU Life remained unchanged at a high level of A- with a stable outlook. The Group's good condition was also evident in stock market valuations. In 2022, shares of PZU SA, which heads the Group, rose by 21.1 percentage points above the WIG20 price index, which recorded a 20.8% year-on-year loss. After adjusting the PZU share price for dividends, the total return on PZU shares last year was 5.7%.

**Development potential under any conditions**

In 2022, the PZU Group successfully pursued its strategic goals and generated good financial results, closing this reporting period with gross premiums written of PLN 26.7 billion and net profit of PLN 3.37 billion. These results were achieved on

the basis of high profitability of major insurance lines and repeatable business processes, despite operating in difficult economic and market conditions. The PZU Group confidently maintains its position as Poland's largest insurer, actively responding to the changing needs of individual and corporate clients and providing them with a secure and solid foothold, even in a difficult macroeconomic environment.

At the same time, complementary and forward-looking areas of the rest of the PZU conglomerate have been strengthened in operational activities. In the health pillar, revenues in 2022 increased by 16.2% to nearly PLN 1.3 billion, the number of active health contracts in the Group exceeded 3.2 million, and PZU Zdrowie consistently strengthened its position as one of the leading nationwide medical operators. This is an important area not only for the PZU Group's business, but also in social terms, as its development means greater availability of quality health services for Poles and at the same time reducing the burden on the public health sector.

It is also important to emphasize the dynamic development of the investment pillar, which is important for social reasons, as it is linked to the retirement security of hundreds of thousands of people, among other things. At the end of 2022, TFI PZU and OFE PZU were managing assets of external clients (i.e., outside the PZU Group) worth nearly PLN 41 billion. PZU TFI's assets increased 40% y/y, due in part to the acquisition of TFI Energia. ECS assets recorded the largest increase, rising by 79% to PLN 2.4 billion

**In the vanguard of digitization**

Despite the significant scale and diversification of its operations, the PZU Group is characterized by strong innovation in technology. It actively and effectively conducts processes of digitization and automation of many processes using artificial intelligence algorithms, relying both on its own solutions and sourcing the most interesting ideas from outside.

In terms of digitization of sales and service channels, the flagship solutions are the mojePZU portal and application, which allow clients to remotely purchase and manage a range of insurance, financial and health products. In 2022, further functionalities were implemented to improve the operation of this self-service platform. At the end of last December, mojePZU already had more than 3.3 million users, including more than 1.5 million who had downloaded the app. The inPZU service, which offers low-cost index funds to clients looking for attractive and safe forms of investment, is also being gradually developed. In 2022, the platform already had 117 thousand active users handling: ECS accounts, investment portfolios, PZU FIO registers, EPS and ECS registers, and IRA and IRSA products.

**Market challenges**

From the point of view of the financial result, the most important insurance segments for the PZU Group, namely group and individually continued insurance and motor third-party liability, together accounted for about 45% of premium written in 2022. For the former, their profitability, in 2020-2021, was under pressure from increased mortality due to the COVID-19 pandemic. Last year, this effect was much less pronounced, as evidenced by the 17.4% profitability generated. In contrast, the compulsory motor insurance market has long been characterized by price stagnation and margin erosion, the aftermath of a fierce competitive struggle among insurance companies.

The deteriorating profitability of MOD portfolios in 2022 was mainly due to the rising prices of spare parts and repair costs as a result of inflation, and thus significantly higher compensation and benefit costs. Meanwhile, the prices of MOD policies on the market did not reflect these changes, despite active supervision by the KNF in this regard. A factor that could change the picture in 2023 could be the ever-increasing cost of claims handling – both under the pressure of inflation and the regulations in effect since 1 November of last year, establishing a new standard for claims handling.

**Climate challenges**

The financial sector, including the insurance industry, plays a very important role in the energy transition, the biggest challenge for the Polish economy in the coming years and decades. The PZU Group is aware of its responsibility in this

area. In 2022, it has increased its commitment to investments supporting the transition to nearly PLN 720 million, including PLN 420 million for financing onshore wind farms. The target annual production of turbines, to the construction of which the Group has committed, should provide green electricity for over 800,000 households in Poland.

PZU is also developing insurance, banking and investment offerings that support pro-climate and adaptation measures for individuals and companies. It already has products on offer for retail and corporate clients to protect photovoltaic and wind installations from risks of failure, damage, destruction or conditions that reduce production efficiency. PZU is also introducing solutions to reduce the environmental impact of suppliers and facilitate their transition to low-carbon solutions. Strengthening the product portfolio in this area is not only a fulfillment of strategic statements and goals, but also a business opportunity to establish or strengthen relationships with customers who are more guided by ESG criteria in their purchasing processes.

To the Management Boards of the companies that make up the PZU Group and to all their Employees, I wish, above all, calmer and more predictable operating conditions, success in achieving all the business, social and environmental goals set, and the development of attractive rates of return for Shareholders.

Respectfully

Robert Jastrzębski, Ph. D. Hab., Assoc. Prof.  
Chairman of the PZU Supervisory Board

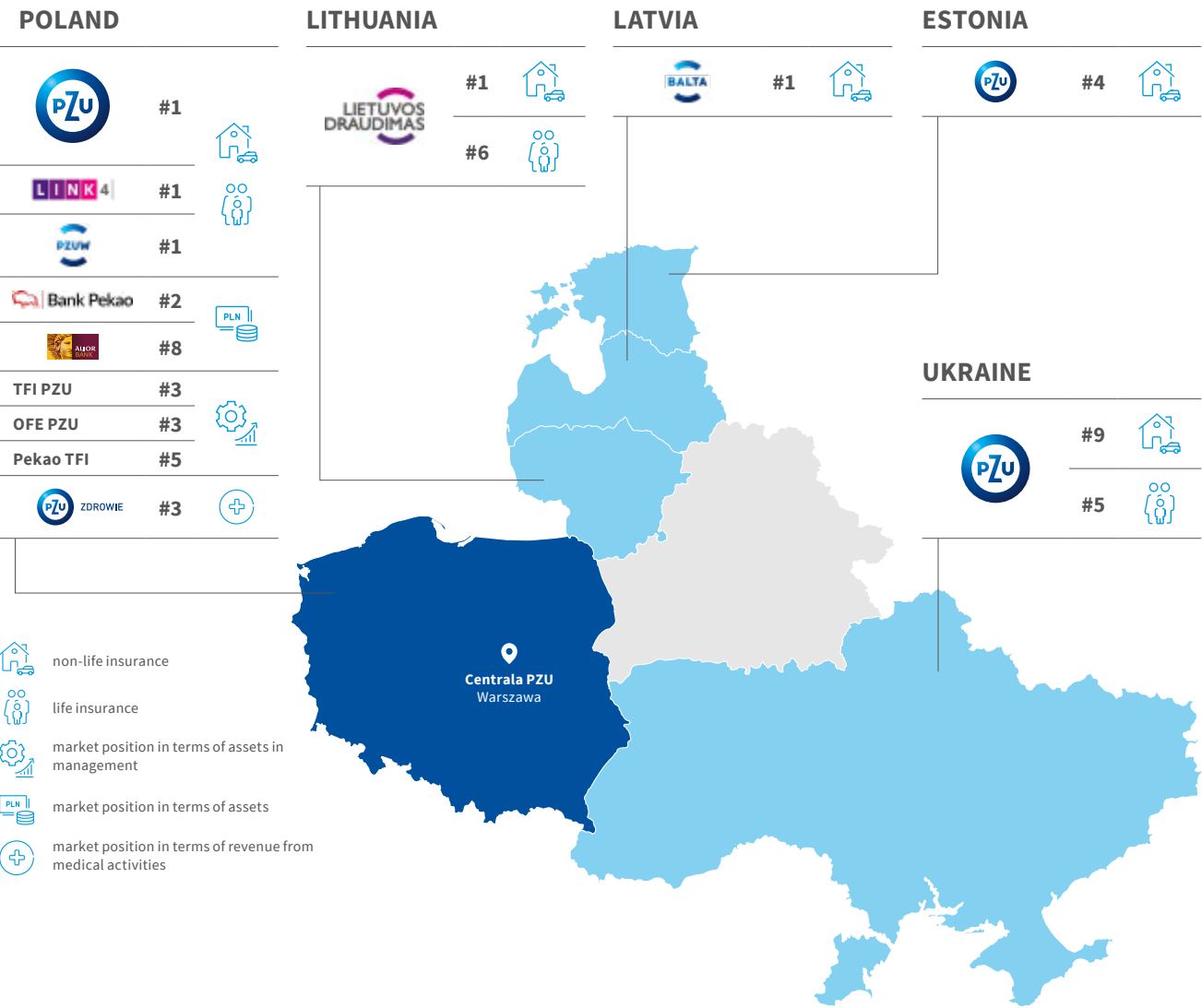


PZU Group's profile



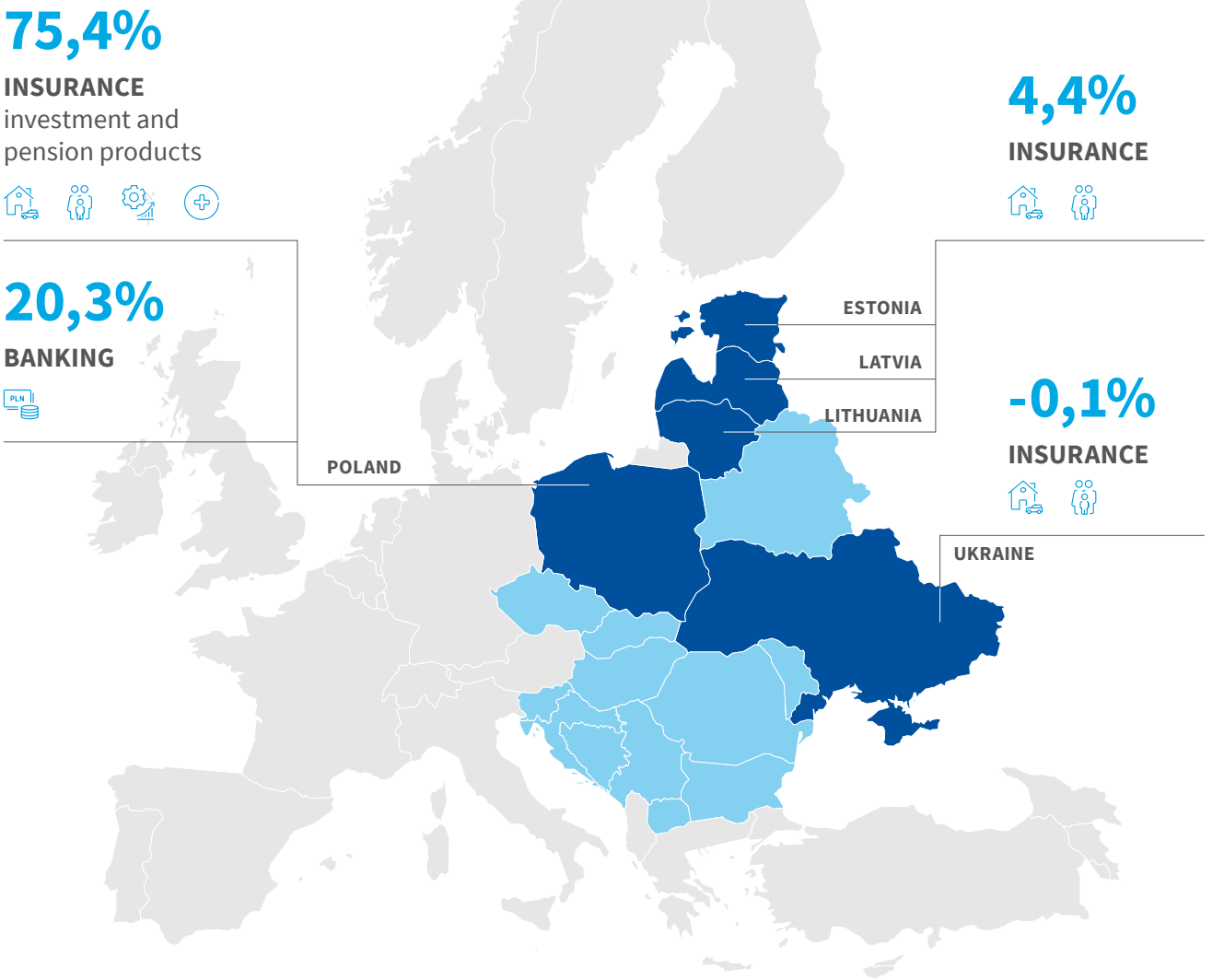
1) By assets  
2) Supported awareness of PZU brand, constant brand monitoring, CAWI, nat-rep 18-55, 2022 figures

Market position of PZU Group companies



3) S&P rating, confirmed on June 28, 2022  
4) As at the end of 2022  
5) PZU's own study

Percentage share in the operating result (adjusted for PZU's shares in banks in 2022)





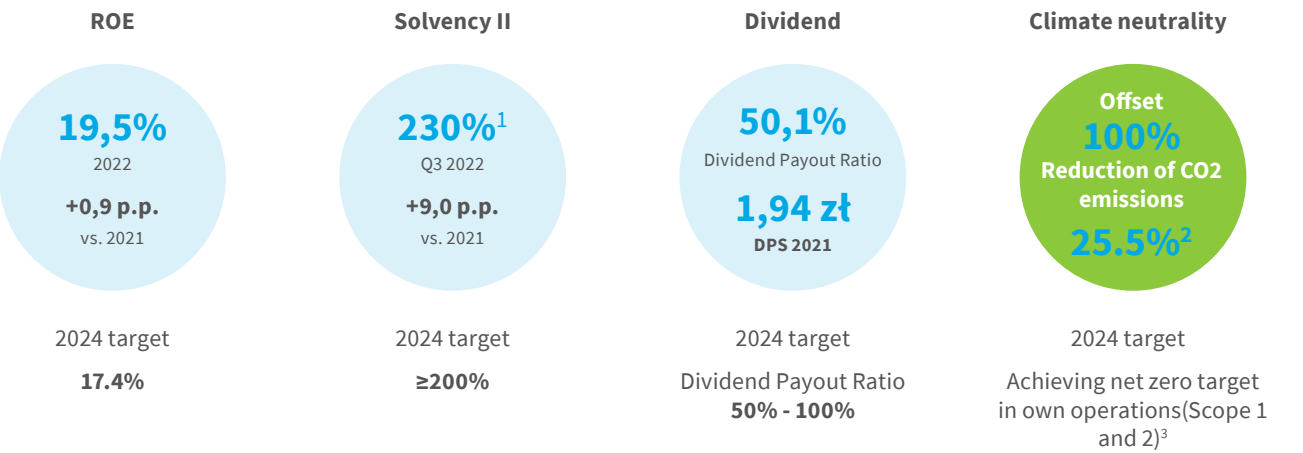
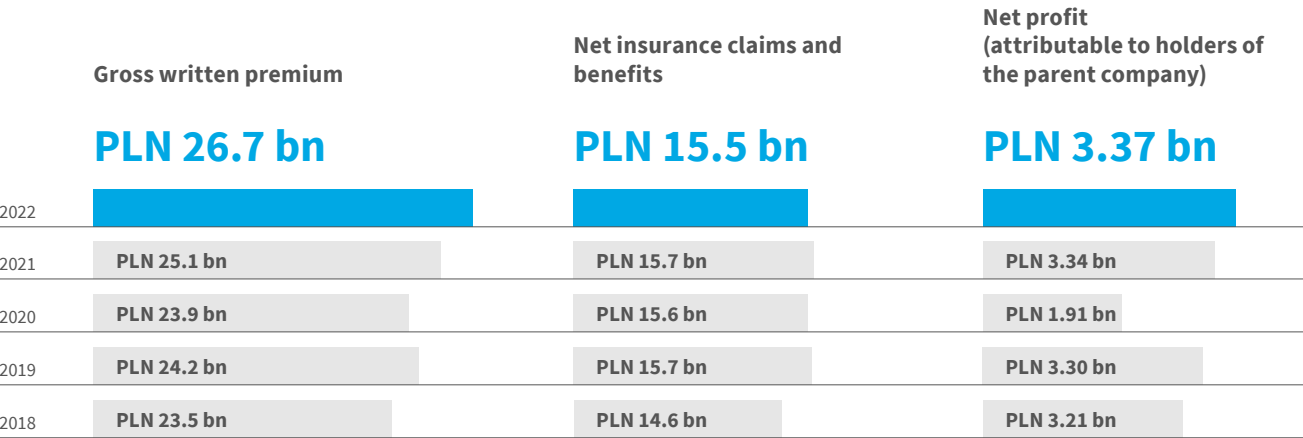
Recap of 2022 results



Ambitions for 2024

The PZU Group wants to be a provider of holistic solutions that will help customers lead healthy lives and sustainable businesses, provide medical care for family or employees, protect assets and help multiply them, and give a sense of stability and due care for loved ones no matter what the future will bring.

The PZU Group is building success based on modern business models business models while adhering to the principles of sustainable development in caring for the environment, a better quality of life for employees and customers, and a commitment to the development of local communities.



1) Data not audited or reviewed by a statutory auditor.

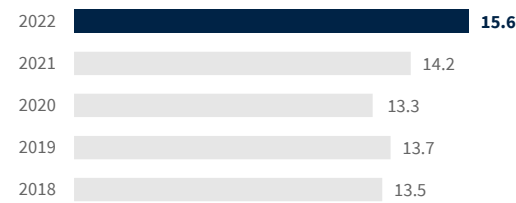
2) Reduction of CO2 emissions from own sources by 25.5% (location-based method). 81% of electricity contracted and purchased from RES. Offset of 17,508 Mg CO2e emissions for 2021.

3) Achieving net zero target in own operations (Scope 1 and 2) thanks to reduction of emissions, purchase of green energysigned direct electricity supply agreements and offset of CO2 emissions

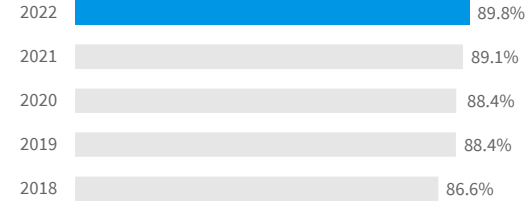
INSURANCE

Non-life insurance in Poland

Gross written premium (PLN bn)

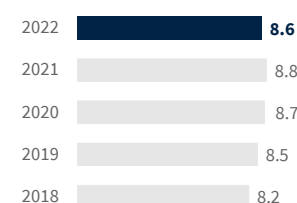


Combined ratio – COR

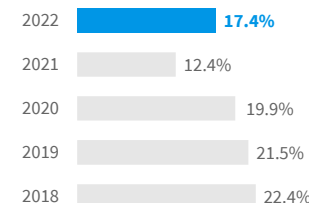


Life insurance in Poland

Gross written premium (PLN bn)



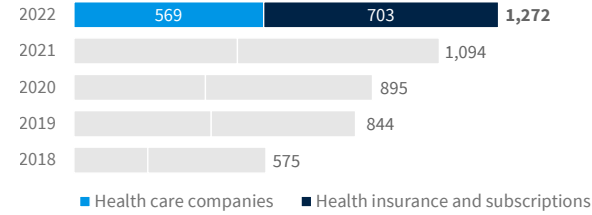
Group and continued\* insurance operating margin



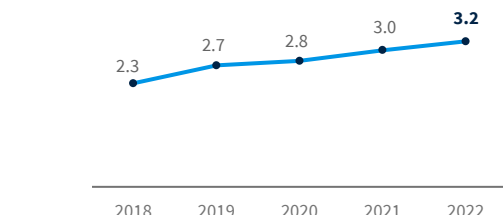
\*) Individually continued insurance

HEALTH

Revenues (PLN m)



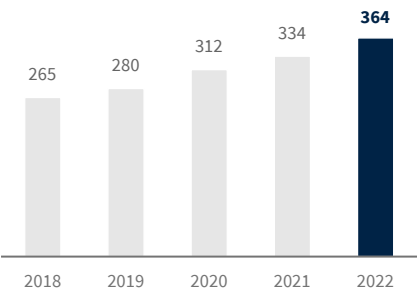
Number of agreements (m)



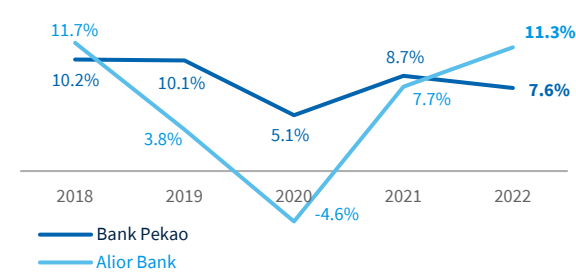
# Recap of 2022 results

## BANKING

Banking assets in the PZU Group (PLN)



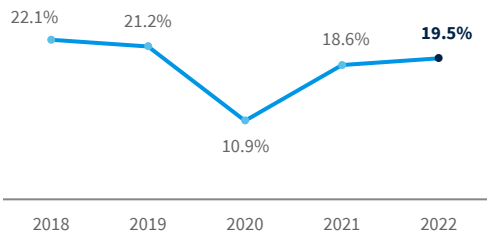
ROE (return on equity)\*



\*) based on reports and presentations of Bank Pekao and Alior Bank

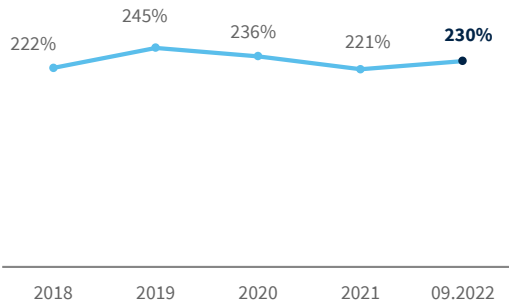
## SELECTED RATIOS

ROE (return on equity)\*\*



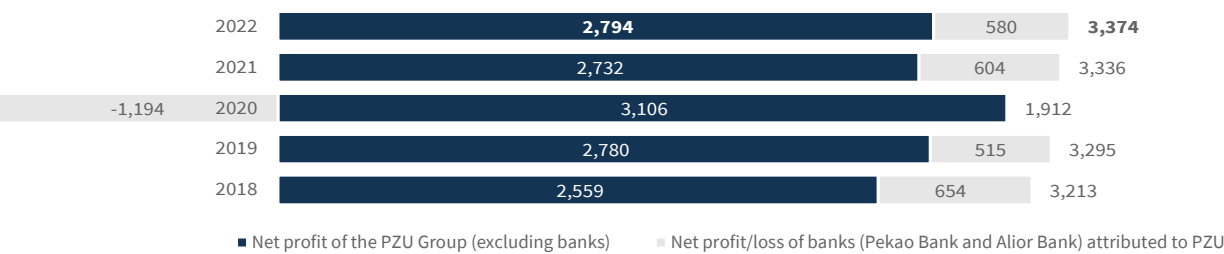
\*) ROE attributed for the parent company

Solvency II\*



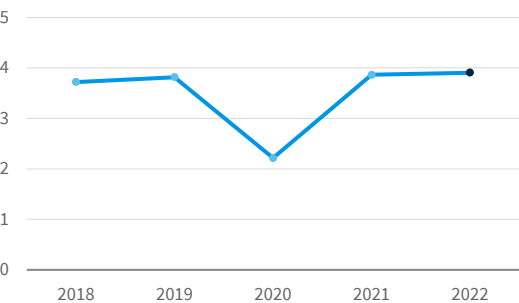
\*) Data as of 09.2022 are not subject to audit or review by the auditor

Contribution of banking activity to net profit attributable to the parent company (PLN m)\*

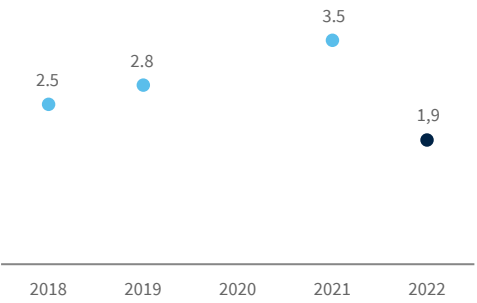


\*) excluding consolidation adjustments

EPS (earnings per share) PLN

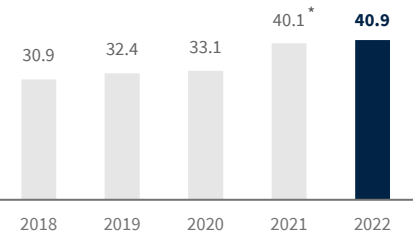


DPS (dividend per share) PLN

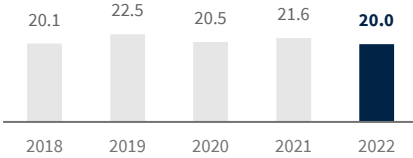


## INVESTMENTS

Assets of third party clients of TFI PZU and PTE PZU (PLN bn)

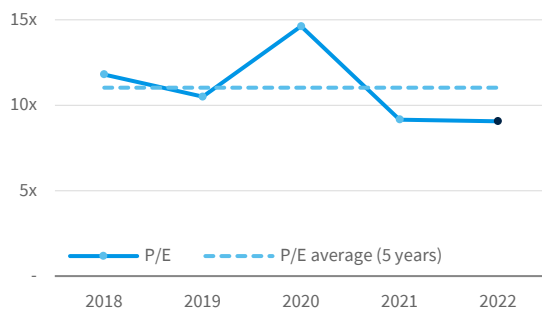


Assets of clients of TFI Pekao and TFI Alior (PLN bn)

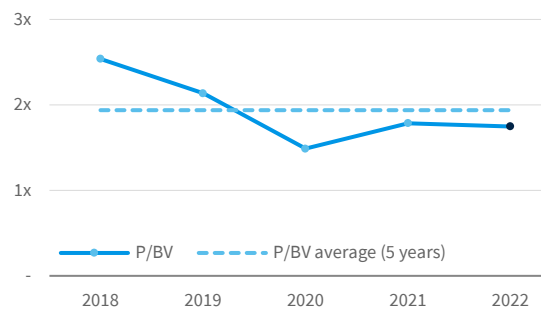


\*) corrected data

P/E (price to earnings per share)



P/BV (price to book value per share)



Some of the ratios depicted in the charts above are Alternative Performance Measures (APM) under the ESMA Guidelines on Alternative Performance Measures 2015/1415. Definitions, basis of calculation and explanation of their use are presented in [Appendix 3: Alternative Performance Measures](#)



# Recap of 2022 results

PZU Group's consolidated highlights<sup>2</sup> for 2018-2022 (in PLN m)

	2018	2019	2020	2021	2022
<b>A) PZU Group net of Alior Bank and Pekao Bank</b>					
Gross written premiums	23,470	24,191	23,866	25,080	26,710
Net result on investing activity including interest expenses	904	1,995	2,044	2,012	1,233
Net insurance claims and benefits	(14,563)	(15,695)	(15,580)	(15,731)	(15,542)
Acquisition expenses	(3,130)	(3,363)	(3,317)	(3,572)	(3,903)
Administrative expenses	(1,637)	(1,739)	(1,801)	(1,734)	(1,918)
Operating profit	3,298	3,606	3,941	3,635	3,640
Net profit attributable to equity holders of the parent company	2,559	2,780	3,106	2,732	2,794
<b>B) Goodwill write-off (Alior Bank, Pekao Bank) and Alior Bank's intangibles</b>					
	-	-	(1,343) <sup>1</sup>	-	-
<b>C) Banks: Alior and Pekao</b>					
Net profit attributable to equity holders of the parent company	654	515	149	604	580
<b>(A+B+C) Net profit attributable to equity holders of the parent company</b>					
	<b>3,213</b>	<b>3,295</b>	<b>1,912</b>	<b>3,336</b>	<b>3,374</b>
Total assets	328,554	343,385	378,974	402,129	436,119
Equity attributable to the owners of the parent company	14,925	16,169	18,777	17,080	17,489

1) including the impairment loss on goodwill arising from the acquisition of Alior Bank (PLN 746 m) and Bank Pekao (PLN 555 m) and the impairment loss on assets arising from the acquisition of Alior Bank (i.e. trademark and relations with clients, after incorporating the impact of deferred tax and minority interest) in the amount of PLN 42 m.

2) restated data as at 31 December 2018-2019

The financial results the PZU Group has been enjoying in the recent years place it among the most profitable financial institutions in the country. They also translate to high efficiency indicators. In 2022, the rate of return on equity was 19,5%. The PZU Group also posted an increase in gross written premium by PLN 1,630 billion to PLN 26,710 billion. The dynamic growth is accompanied by continued high security of business. This is confirmed by both the high capital adequacy indicators as well as the A- rating with stable outlook by the S&P Global Ratings.

As at the closing of Q3 2022, the solvency ratio (calculated in line with the standard Solvency II formula) was 230%<sup>1</sup>.

The rating was last updated on 3 November 2021, which is when S&P affirmed its finance and credit rating for PZU and its main subsidiaries. The agency's analysts pointed out two key aspects: PZU's continued good financial performance

1) preliminary figures, not subject to audit or inspection by statutory auditor

**Financial strength  
rating and credit rating  
awarded to PZU by S&P**

**A-**  
/STABLE/

and its stable capital position. They predicted that the PZU Group's dominant position, recognizable brand and diversified conglomerate structure would allow it to continue to grow, both on local and foreign markets. The last rating review was on 28 June 2022.

2022 Calendar

**28 April**

Piotr Nowak appointed PZU Management Board Member

**28 June**

S&P affirms PZU rating | A- with stable outlook

**12 August**

Loyalty program for individual investors "Moje Akcje PZU" made available for clients of BM Alior Bank

**5 October**

Quiz for members of loyalty program for individual investors "Moje Akcje PZU"

**19 November**

PZU changes the address of its registered office | PZU Park, Rondo Daszyńskiego 4, Warszawa – PZU Headquarters now at the "greenest skyscraper" in Warsaw

**27 May**

PZU at WallStreet 26 | SII conference for individual investors

**29 June**

PZU Annual Shareholder Meeting

**1 September**

Dr hab. Piotr Wachowiak appointed PZU Supervisory Board Member

**20 October**

Dividend payout | PLN 1.94 per share

**16 December**

PZU Management Board Members appointed for a new term of three full fiscal years, 2023-2025, starting from 1 January 2023





# 1.

## PZU Group's profile

- 1.1. Potential
- 1.2. Brand
- 1.3. Mission, vision, values
- 1.4. Value creation
- 1.5. Milestones in PZU Group's history
- 1.6. Awards and distinctions

Above-average financial results  
Financial results put the Group  
PZU among the most profitable  
institutions in Poland and Europe.



# 1. PZU Group's profile

For more than 200 years, PZU has been growing its business, gaining experience and using its potential to protect what is most valuable – the life and well-being of its clients, their families, assets and companies. Every day, the Group develops to grow be able to provide the most personalized, comprehensive and flexible offer to its clients. The priority for the PZU Group and the measure of its success is to generate benefits for its shareholders and clients in a sustainable and responsible manner.

## 1.1. Potential

The capital group formed by Powszechny Zakład Ubezpieczeń is the largest financial group in Poland and Central and Eastern Europe. PZU heads up the group with its traditions dating back to 1803 when the first insurance company was established on Polish soil. PZU is a public company. PZU's stock has been listed on the Warsaw Stock Exchange (WSE) since 2010. Since its stock exchange debut PZU has been part of WIG20, an index of the Warsaw Stock Exchange's largest companies. It is one of the most highly valued companies and heavily traded stocks on the Polish stock exchange. Since 2019, PZU's shares have been also part of the WIG ESG (sustainability) index.

The main shareholder of PZU is the State Treasury, holding 34.19% of shares. Other PZU shares are held by investors from all across the world.

The PZU Group's consolidated assets total PLN 436 billion. The Group enjoys the trust of 22 million clients. It offers products and services to retail clients, small and medium enterprises and big business entities. Poland is the PZU Group's core market measured by its magnitude and client numbers. Nevertheless, the Group's subsidiaries play an important role on the markets in Lithuania, Latvia, Estonia and Ukraine. Insurance is the core business of the PZU Group. PZU companies also offer investment, pension, and banking products as well as medical services. Within strategic partnerships, they provide assistance services for retail clients and enterprises. The clients' trust is at the heart for the business of the Group's companies. PZU puts the client at the center of attention and integrates all the areas of its operations around them. This allows PZU to offer more and more tailored, flexible and comprehensive products and services, adapted to the needs of the clients at every stage of their private and professional lives, wherever and whenever it is most convenient for them.

It is the strategic ambition of PZU to develop ecosystems which will deliver comprehensive solutions for both institutional and individual clients. They give rise to new opportunities to build long-term client relationships, thanks among other things to new interactions in various areas of the client's life. The key elements contributing to the development

of PZU's consistent technological edge in integrated customer service include digitalization, use of artificial intelligence (AI), Big Data and advanced analytics, as well as mobility and omni-channel approach. Technological transition is supported by cloud computing.

Among all insurers operating in Poland PZU offers its clients the largest sales and service network. It includes: 409 branches, 9.5 thousand tied agents and agencies, 3.7 thousand multiagencies, over 1 thousand insurance brokers and electronic distribution channels. When it comes to bancassurance and strategic partnerships, the PZU Group collaborates with 13 banks and 23 strategic partners.

The PZU Group's clients in Poland have access to Bank Pekao's distribution network (597 branches) and Alior Bank's distribution network (534 branches, including 168 traditional branches, 7 Private Banking branches, 13 Corporate Banking Centers and 346 partner centers). Both banks have professional call centers and mobile and Internet banking platforms.

In the Baltic States where the PZU Group is in the insurance business, its distribution network consists of 704 agents, 20 multiagencies and 459 brokers. PZU also cooperates with 5 banks and 12 strategic partners.

In Ukraine, insurance products are distributed through 392 agents and in collaboration with 26 multiagencies, 38 brokers and 11 banks.

## 1.2. Brand

PZU is the most recognizable brand in Poland. It is spontaneously mentioned by 81%<sup>1</sup> of Poles. Aided brand awareness is at the level of 99%<sup>2</sup>.

Even though it is mostly associated with insurance, PZU Group's brand architecture also covers a few independent

brands. They enjoy different visual systems, target groups, and corporate business models.

The dominant corporate brand within the Group is that of PZU. It is used to identify the PZU Group, most of its companies operating on the Polish market (PZU, PZU Życie, PTE PZU, TFI PZU, PZU Pomoc, PZU Zdrowie, PZU Centrum Operacji), as well as some of the international companies – companies in Ukraine and the Lithuanian branch in Estonia and Lithuanian company PZU Lietuva Gyvybes Draudimas (PZU Lithuania Life).

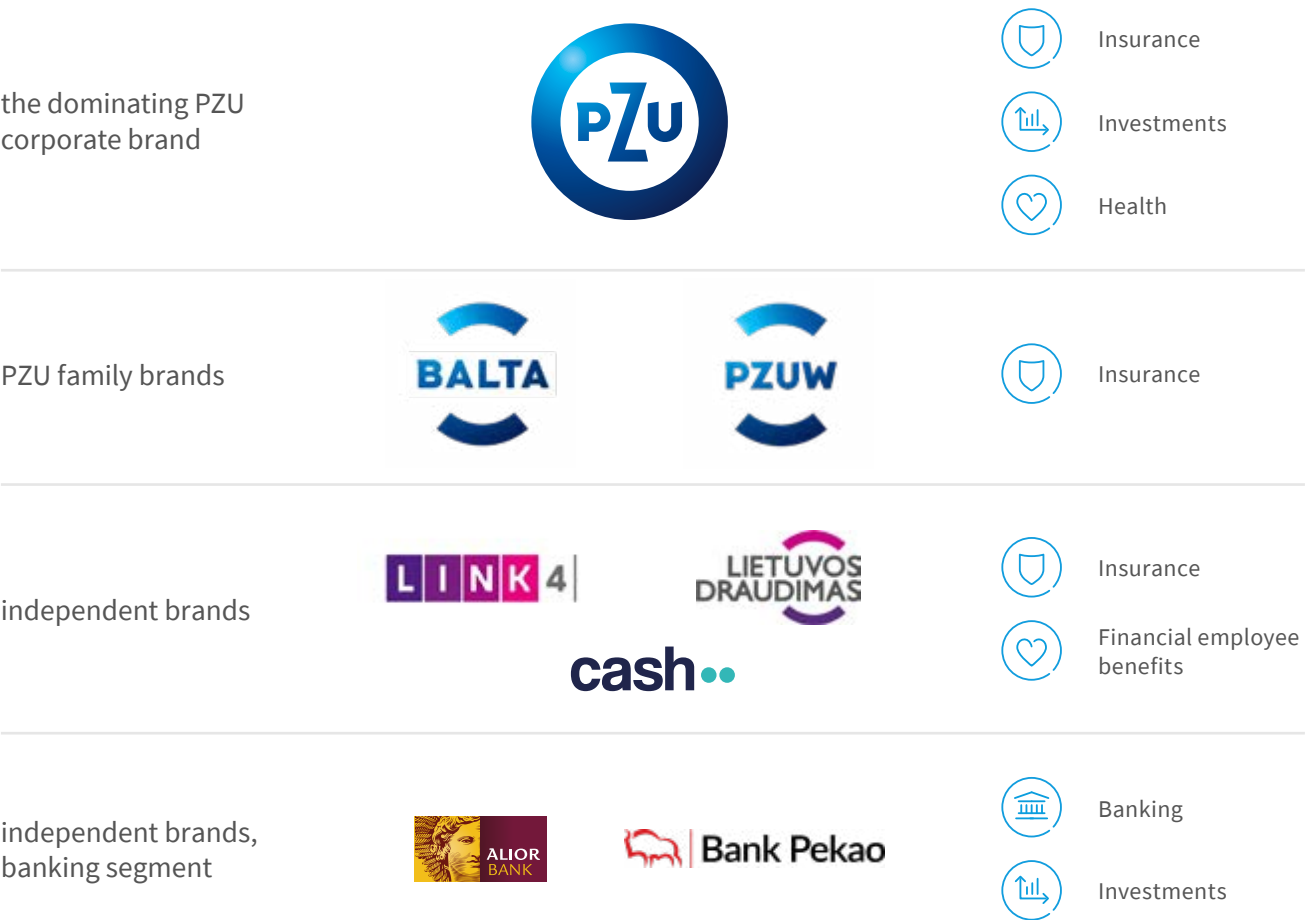
In the PZU Group's architecture, there is also a group of PZU family brands. This family is formed by companies whose names do not reference the parent company brand, such as AAS Balta and TUW PZUW. However, their logos look similar to the corporate brand.

The last level of brand architecture is the independent brands group. This category includes the brands within the PZU Group, the names and visualization of which differ from the corporate brand, such as Lietuvos Draudimas and LINK4.

The independent brands that joined the PZU Group in 2015 and 2017 are Alior and Pekao bank brands, respectively.

In 2020, the Cash brand joined the PZU Group's architecture. It denotes a company under the name PZU Cash managing the website offering financial employee benefits.

### PZU Group's brand architecture (corporate umbrella model)



# 1. PZU Group's profile

## 1.3. Mission, vision, values

In March 2021, the PZU Group published its Strategy for 2021-2024 under the motto of #PZU Potential and Growth. According to the mission, “We care about the most important things in life”, PZU has the ambition to accompany its clients in successive stages of their lives, helping them make their key decisions. The underlying idea is to supply high quality insurance, financial and health products in the most efficient way in terms of price, distribution, adequacy and competitiveness.

### Modern product and service ecosystems

One of the tools supporting PZU's mission is building modern and comprehensive product ecosystems. First and foremost, these are offers dedicated to enterprises (benefits) and drivers. Thanks to the benefits ecosystem, the employer may receive a comprehensive offer of company benefits for their employees. They receive, among others, access to PZU Group products and services, such as the PZU Sport sports and recreation

### Four main values of PZU Group

- ✓ 200 years of tradition
- ✓ Sound capital base, high Solvency II ratio
- ✓ Largest financial group in Central and Eastern Europe
- ✓ Strong brand

**A- with a stable outlook**  
**AAA capital strength rating**

S&P Global Ratings

**PZU / Super Ethical Company**  
Puls Biznesu 2021-2023

**PZU Życie**  
**/ Super Ethical Company**  
Puls Biznesu 2020-2022

- ✓ We keep our promises
- ✓ We observe transparent rules of doing business
- ✓ We are fair in our internal and external relations
- ✓ We cultivate a culture of ethics and compliance

subscription, the PZU CASH portal offering loans on favorable terms repaid directly from the remuneration, and the PZU Zdrowie offer. These benefits improve the living comfort of the employees, motivate them to be physically active and change their lifestyles. They allow PZU to build relations with clients that are based on daily life choices. The driver ecosystem involves assistance in sales and purchase, control of the vehicle's technical condition, as well as assistance in mechanical repair. PZU specialists offer expert knowledge, so that our clients may make the best decision if they are not experienced in vehicle maintenance. All services are available in one place, through secure and user-friendly digital tools.

### Personalization of services

The PZU Group has a corporate Data Warehouse that is one of the largest in the Central and Eastern Europe. Its application, combined with an integrated approach to clients and cooperation between various distribution channels, allows the Group to create personalized product offerings. In addition to the standard insurance, health, banking or investment

- ✓ Artificial intelligence and machine learning<sup>1</sup>
- ✓ Continuation of the process of digitalizing insurance, banking, investment and health products and services
- ✓ Advanced analytics
- ✓ Process optimization

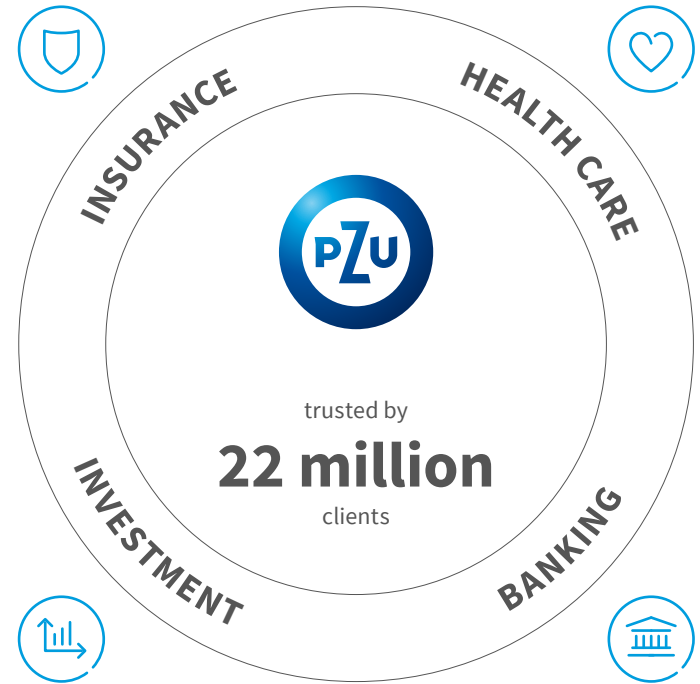
**Innovation Lab**  
Corporate Innovation Awards  
**Minute for skin, Agro Lab<sup>2</sup>**  
The Efma-Accenture Innovation In Insurance Awards 2022  
**PZU**  
Employer Branding Excellence Awards 2022

- ✓ We respond to the needs of clients, employees and society
- ✓ We manage our environmental impact deliberately and responsibly
- ✓ We offer an inspiring place of work

<sup>1</sup> Machine learning is a technology assuming that the program utilizes algorithms to “learn” on the basis of large data sets whereby it is capable of executing tasks without having to be designed directly by a human  
<sup>2</sup> Minute for Skin - is a skin cancer prevention project using artificial intelligence (AI), Agro Lab - is a tool using satellites and AI in handling agricultural damage.

### PZU Group's product offer

**Extensive and personalized range of products** consisting of life and non-life insurance, health and bank products as well as individual protection and investment solutions.



### INSURANCE PRODUCTS

#### Non-life insurance

Extensive offer of non-life insurance customized to clients' evolving needs - **flexible approach to product configuration and method of premium payment**

#### Life insurance

More modern and more attractive offer of group and individual life insurance - **opportunity to shape protection freely depending on individual needs**

### HEALTH

Long-term and single-use **health products** - **customized to the needs** of various client groups

### BANKING

**Extensive and complete offering consisting of the leading products** offered by the PZU Group's banks offered to PZU clients on preferential terms

### INVESTMENTS

Straight-forward investment products: **offer customized to the wealth of their portfolios and the target investment period** available online in the inPZU portal

products, PZU also offers modern support and advisory services, helping clients manage their risks better. These activities also increase the number of client interactions. It is the client and information about the client that are at the core of the Group's operating model. In its strategy, the Group assumes that further development of modern tools for all sales channels, implementation of advanced analytical environments and consolidation of analytical processes with banks will produce data that will best reflect client preferences and behaviors. This will ensure that the potential of the portfolio and knowledge about clients are fully utilized.

### Health and wellbeing

The PZU Group places great emphasis on the health and wellbeing of employees and clients. Its goal is to build health awareness in Poland, with special emphasis on prevention measures. It is the prevention of illnesses, not treatment, that is the priority for PZU. By developing its offering and network, PZU Zdrowie wants to revolutionize the approach to health care in Poland, and become the most comprehensive health advisor. It uses cutting-edge technology, telemedicine and the mojePZU application to facilitate access to specialist medical services and skilled physicians, thereby helping clients to take good care of their health, which is one of the most important values in life.

### Sustainable future

The PZU Group operates on a large scale in Poland and in the Central and Eastern Europe and it is aware of its impact on the wellbeing of the society, business partners, investors, employees and the environment.

The PZU Group is committed to the development of a responsible organization, strongly emphasizing the ESG factors in its strategy (environment, social responsibility and governance). The priority for the Group is to provide benefits for clients and shareholders in a sustainable and responsible manner. The success of the PZU Group will be built based on contemporary business models widely incorporating ESG criteria, setting standards in this respect on the financial market. This approach will permit the making of decisions supporting sustainable development in the context of the products being offered, cooperation with business partners, care for the well-being of employees and local communities, and building value-based leadership.

The Group supports the development of low-carbon economy, is committed to just energy transition and encourages communities to adopt sustainable and safe lifestyles and builds a modern, responsibly managed organization. Through these and many other initiatives, the PZU Group pursues the ambition of becoming a trusted partner for green transition, the best place to work on the markets where it conducts business and improve the quality of life for the entire society.





1. PZU Group’s profile

1.4. Value creation

Value creation model

The business model with insurance as the key element is at the foundation of the PZU Group’s value creation model. The offer is supplemented by health, banking as well as investment and pension products.

Capital at PZU is classified in line with the IIRC framework: Financial, intellectual, human, social & relationship, manufactured, and natural.

The most important processes in the value creation model are determined by PZU Group’s strategy and its risk management. In the short and medium term, these have an impact on improving business efficiency and building relationships to better respond to stakeholders’ needs. In the long term,

these translate to growing value creation potential for the organization, stakeholders, society and natural environment.

Impact on the external environment

The PZU Group significantly impacts the quality of life of its stakeholders, social and economic development, and environment. PZU Group’s comprehensive offer satisfies the needs of individual clients, small and medium enterprises, as well as large corporates in non-life insurance, life insurance, health care, solutions in savings and investment, as well as banking products (such as current accounts, or credit and deposit products).

The PZU Group is one of the largest employers in Poland, employing several dozen thousand people. It ensures not only

jobs, but also high inflows to the state budget from the taxes levied. By investing its assets in corporate shares and bonds, it provides the funds for their development. Claims for damage paid out by PZU to entrepreneurs help them to maintain business continuity in unexpected situations and to avoid financial problems.

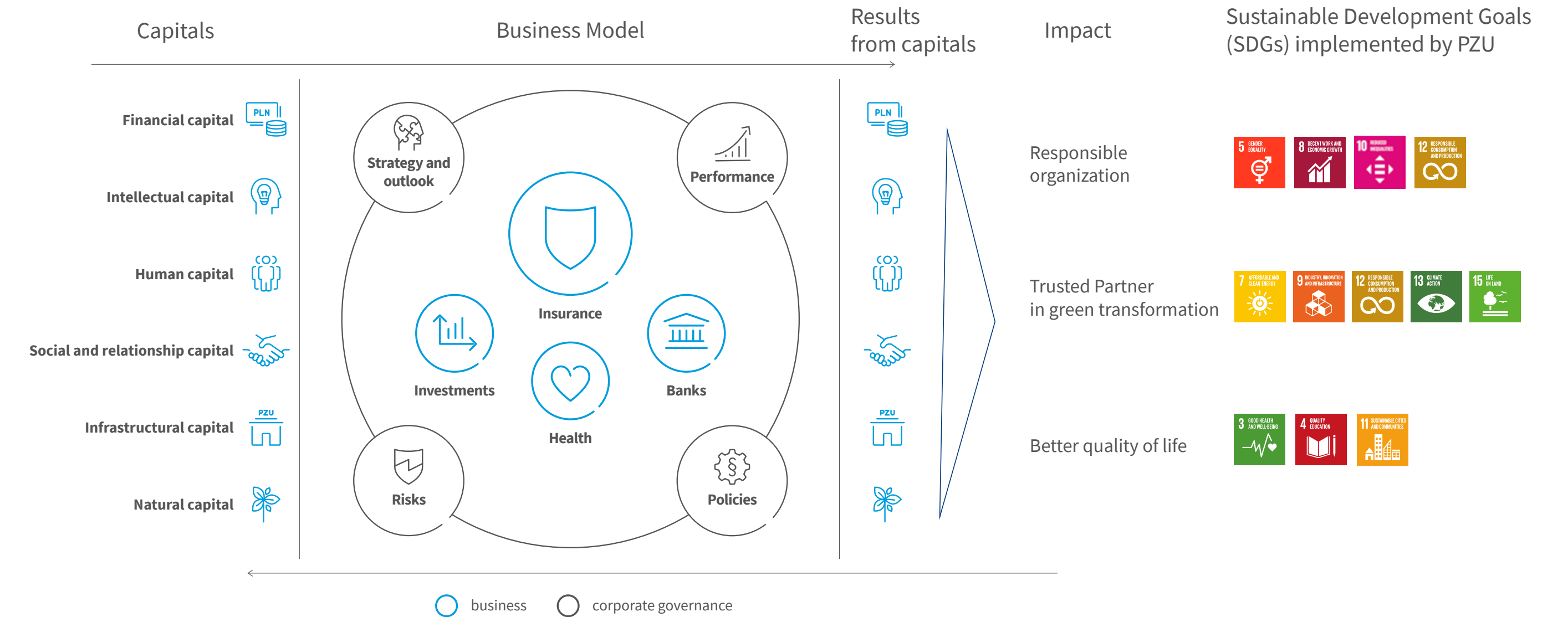
Through its considerable assets, the Group is a prominent player on the financial market in Poland, exerting significant influence on its status and development directions. By purchasing sovereign bonds, it helps to finance infrastructural projects that are important for the country, and develop education, schooling, and health care.

By insuring millions of Poles, PZU has real influence on their health and lives. The benefits paid out afford financial stability to those families who find themselves in a difficult situation, for example, due to an illness or death of one of the family

members, or loss of residence due to fire, flood, or other disaster. This offers additional protection, which provides the sense of stability and safety.

Through its activities, PZU also affects the natural environment. Its market position and scale of impact allows PZU to set new trends. By selecting environment-friendly investment projects and vendors who act in a sustainable manner, the PZU Group emphasizes the importance of environment protection, climate change prevention, and sustainable development. By creating new products, such as insurance for wind farms, photovoltaic installations, eco loans, the PZU Group takes an active part in energy transition, thus supporting its clients in making climate-positive decisions.

Value creation model diagram



1. PZU Group’s profile

Key PZU Group business areas

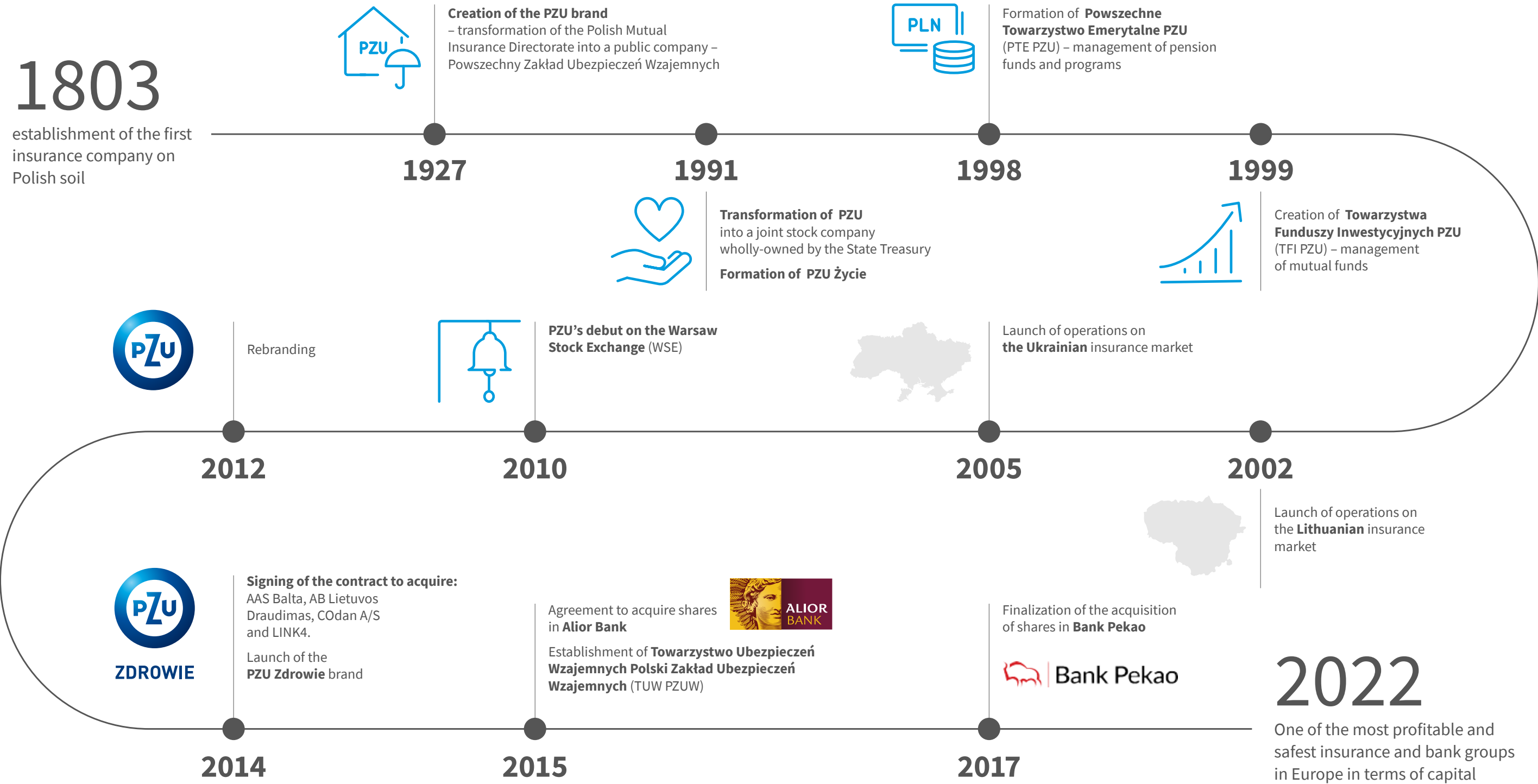




1. PZU Group's profile













1.5. Milestones in PZU Group's history













The PZU Group has been developing on the financial market for more than 200 years.



# 1. PZU Group's profile

## 1.6. Awards and distinctions

BUSINESS			
			
<b>PZU:</b> Poland's best insurer ranked "Institution of the Year 2022"	<b>PZU and PZU Życie</b> winners of the competition "Friendly Insurance Company 2022" Gazeta Bankowa	<b>PZU and PZU Życie:</b> remain among the Super Ethical Companies	<b>PZU TFI:</b> Alpha 2022 statuette for inPZU Prudent Investments
BUSINESS			
			
<b>LINK4:</b> Top Brand in 2022 in the direct motor insurance segment and the Golden Laurel Customer Award for the quality of individual customer service in the insurance industry	<b>LINK4:</b> First place in the ranking of car insurance prepared by "Gazeta Bankowa" for the package of motor third-party liability insurance	<b>LINK4:</b> Winner of the Economic Awards of the Association of Entrepreneurs and Employers. First place in the Customer Friendly Company category	<b>Alior Bank:</b> First place in the category "Small and medium commercial banks" in the competition Techno Business Leader organized by Gazeta Bankowa
BUSINESS			
			
<b>Alior Bank:</b> Second place in the categories: "Cash loan", "Credit card", "Personal account" and honorable mention in the category "Safe bank - best practices" in the Golden Banker poll	<b>Bank Pekao:</b> The Convertible Account - First place in the category personal account in the Golden Banker poll	<b>Bank Pekao:</b> The best bank in Europe Central and Eastern Europe supporting Real estate market in the competition of the EuropaProperty.com portal	<b>Bank Pekao:</b> The titles of "Market Leader in Poland 2022" and "Best Services in Poland 2022" in the competition of the international magazine Euromoney in the edition "Best Trade Finance Survey 2021"
BIZNES			

INNOVATIONS			
			
<b>PZU:</b> Gold and silver statuettes in "The Efma-Accenture Innovation In Insurance Awards 2022," for the "Minute for Skin" and "AgroLab" projects, respectively	<b>PZU:</b> WPROST Innovator 2022 For the „Minute for Skin” prevention program	<b>PZU:</b> "Minute for Skin" project a finalist in the CIONET Digital Excellence Awards 2022 competition	<b>PZU:</b> EMEA finalist in The Digital Insurer international competition for its AI (Artificial Intelligence in Claims Handling) Assistant project
INNOVATIONS		CSR	
			
<b>PZU:</b> Honorable mention in the Technology Supporting CC Operations category of the Polish Contact Center Awards competition	<b>PZU:</b> Distinction of the Digital Republic for 2021	<b>PZU:</b> Distinction in the CSR category for the project "Good Team PZU" in the ranking Institution of the Year	<b>Alior Bank:</b> Special award for special commitment to Ukraine and being a leader in the financial sector in providing systemic aid to refugees
HR			
			
<b>PZU:</b> Emblem and special award Friendly Workplace	<b>PZU:</b> Honorable mention for the online campaign - "For Professionals. For You" in the Employer Branding Excellence Awards 2022	<b>PZU:</b> Certificate "HR Highest Quality 2022" awarded by the Polish Human Resources Management Association (PSZK)	<b>Bank Pekao:</b> Best Quality Employer 2022
HR		CX	IR

			
<b>LINK4:</b> Certificate "Investor in Human Capital"	<b>LINK4:</b> The title of Best Employer 2022 awarded by "Gazeta Finansowa"	<b>PZU:</b> Silver and bronze in the international competition International Customer Experience Awards	<b>PZU:</b> The Best Annual Report 2021 "The Best of the Best" (fourth time)



# 2.

## External environment

- 2.1. Main trends in the Polish economy
- 2.2. External environment in the Baltic States and Ukraine
- 2.3. Situation on the financial markets
- 2.4. Polish and Baltic States insurance sector compared to Europe
- 2.5. Polish banking sector compared to Europe
- 2.6. Regulations pertaining to the insurance market and the financial markets in Poland
- 2.7. Factors that may affect the conditions of operations and the PZU Group's activities in 2023

The year 2022 saw solid growth in GDP in what was an environment full of challenges for the Polish economy, although accompanied by high inflation.



## 2. External environment

### 2.1. Main trends in the Polish economy

#### Gross Domestic Product

According to Statistics Poland's quick estimate, GDP grew by 4.9% y/y for the whole of 2022. This is a little less than in 2021 (6.8% y/y), when the growth of GDP was supported by the dynamic recovery following the COVID-19 pandemic. The previous year saw a gradually decreasing year-over-year economic growth rate, reflecting the effects of a high statistical basis of 2021 and the slow decrease in demand, largely due to the high inflation and the rise in loan servicing costs.

The main driver of economic growth in the previous year was domestic demand (5.4% higher than in 2021). Both consumption and investment demand contributed to the aggregated increase in GDP. Total consumption in real terms increased by 2.2% (this includes a 3.0% increase in household consumption), whereas gross fixed capital formation by 4.5%. However, whereas the growth rate for annual consumer demand decreased in subsequent quarters (Q4 2022 has even produced a negative rate), investment demand – having slowed down in Q3 2022 picked up on the dynamics once more (up to 4.9% y/y).

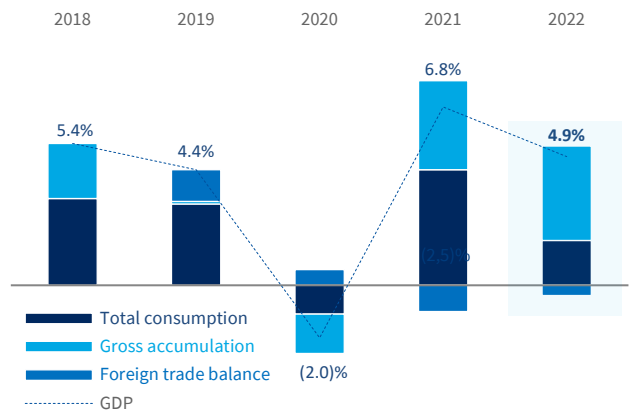
The heightened uncertainty in the light of the war in Ukraine, rising prices and disruptions in supply chains came with high accumulation of inventories. The change in inventories contributed 2.8 p.p to the GDP growth throughout 2022. At the same time, net export's negative contribution took away 0.4 p.p.

In 2022, industrial output sold in enterprises employing more than nine workers rose by 10.2% y/y. Due to the tensions in the energy market caused by the war in Ukraine, the greatest growth in production has occurred in mining and quarrying, although growth has been observed in the majority of the main industry groups, in particular in the production of investment goods. Reduced sales and demand, in turn, has been observed in consumer durables. In Q4 2022, the annual growth rate for industrial output sold faltered.

Construction and assembly output grew in 2022 by 6.2% y/y. In all segments of the construction industry, production in 2022 was higher than in the preceding year, and the highest growth was observed in companies specializing in building construction. Sales of renovation works have improved significantly, whereas investment works – only slightly. The highest growth rate was recorded in Q1 2022. Subsequent quarters saw the rate fall with the impact of tightened credit conditions.

In 2022, retail sales were 5% higher than in 2021. What grew primarily was the purchases of necessities (food, clothing and shoes, pharmaceuticals). The sales of cars and fuel, in turn, decreased. The highest growth rate in retail sales was observed in the first half of 2022, which is when there were positive real remuneration dynamics in enterprises, and the sales of necessities was in its greatest degree heightened by the expenses related to the arrival of refugees from Ukraine. The second half of the year saw a reduction.

#### Decomposition of GDP growth



Source: Statistics Poland, preliminary estimate of GDP in Q4 2022 as at 28 February 2023

#### Labor market and consumption

In 2022, the labor market remained healthy, with employment still on the rise and unemployment on the decline, and remuneration growing nominally at a double-digit rate. At the same time, there have been signals of a negligible decrease in demand for work, with reduced employment plans and vacancies. The very slight economic downturn in the labor market translated into a lower real growth rate for remuneration, which failed to follow inflation levels in the second half of the year.

For the entire 2022, the average monthly gross salary in the corporate sector increased in nominal terms by 13% y/y. In the light of the growing inflation, the purchasing power of thus defined remuneration decreased according to Statistics Poland by 1% y/y (for the first time in 10 years). In the first three quarters of 2022, the growth rate for remuneration in the entire domestic economy was slightly lower than in the corporate sector. At the same time, the average employment in the corporate sector grew by 2.6% y/y, and the figures for the first three quarters of 2022 show that the growth in employment in the domestic economy as a whole was slightly lower to that observed in the corporate sector. The number of registered unemployed people and the registered unemployment rate as at the end of 2022 was lower than in

2021 (5.2% in December 2022 compared to 5.8% in December 2021). (Figures from Statistics Poland)

In December 2022, the seasonally adjusted rate of economic unemployment (according to Eurostat) stood at 2.9%, clearly below the average value for the European Union (6.1%) and the eurozone (6.6%).

Despite the stable situation on the labor market, the consumer confidence in 2022 worsened. What had this effect was the greater uncertainty in the economic environment and lowered real growth rate for remuneration. Household consumption grew by 3% in 2022, following a 6.3% increase in 2021.

#### Inflation, monetary policy and interest rates

In 2022, the average increase in the consumer price index (14.4% y/y) was the highest since 1997. Inflation grew gradually throughout the year, and only in November and December the annual price growth rate somewhat decreased. Among others, throughout the year, a high year-over-year growth rate was observed in price of household utilities, transport, and food. The accelerated increase in consumer prices was mainly caused by supply shocks (including the increase in prices of energy products) which raised inflation all across the world, as well as by the relatively weak zloty. With the positive output gap, it was relatively easier to transfer the growing costs onto consumers. However, with time, the supply shocks lost their impetus, and the declining demand made for a downward price pressure. It has to be noted that the growing inflation was a global phenomenon; the considerable build-up of demand was accompanied by limited supply of inputs, and concerns about the availability of food and raw materials across the world further arose after the outbreak of the war in Ukraine.

CPI-based inflation being further and further away from the inflation target set by the National Bank of Poland (2.5% y/y) led to a series of significant interest rate raises by NBP. Throughout 2022, the reference rate grew by 5 pp from 1.75% as at the end of 2021 to 6.75% in September 2022. From September 2022 to year-end, the Monetary Policy Council maintained the interest rates at their level.

#### Public finance

According to the Statistics Poland notification of 21 October 2022, the general government deficit in 2021 was at 1.8% GDP, and general government debt at 53.8% of GDP. Increased income which contributed to a strong reduction of deficit resulted from the economic upturn and high price growth rate. The central government's activities in 2022 aimed at mitigating the effects of inflation and changes in the tax system (incl. the reduction in PIT from 17% to 12%) became

a significant burden for the general government. The public finance sector further bore the costs of supporting refugees from Ukraine. In turn, the high rate at which prices and nominal GDP grew in 2022 contributed to better income for the sector. However, in net terms, the budget outturn will likely be worse than in 2021. In its fiscal notification sent in October 2022 to Eurostat, the government assumed that deficit would grow to 4.7% of GDP in the whole public finance sector. The forecasted sector debt in the budget bill is set at 51.7% of GDP for 2022 (figures consistent with ESA2010). General Government Debt-to-GDP after Q3 2022 was 50.3% of GDP.

### 2.2. External environment in the Baltic States and Ukraine

#### Lithuania

Lithuania's economy was strongly hit by the effects of the war in Ukraine, waged by Russia. The post-pandemic impetus of the economic recovery achieved in the year prior was diminishing because of the geopolitical tensions. In Q1 2022, GDP grew by 4.8%; afterwards economic activity slowed down for the rest of the year. Figures of the State Data Agency of Lithuania show that year-over-year, GDP decreased in Q4 2022 by 0.4%. Compared to Q3 2022, GDP decreased by 1.7%.

The high inflation which slowed down slightly in summer was once more on the rapid rise in autumn and amounted to 21.7% compared to December 2021. The increase results primarily from the dynamic growth in worldwide food and energy prices, as well as the price of production of food on export markets, along with disrupted supplies of other raw and industrial materials, exacerbated by the war in Ukraine. The global imbalance between the demand for and supply of raw materials and goods also had its effect.

The labor market in 2022 remained healthy. More people became employed and people in working age intensified their participation. What contributed to the higher employment was high economic activity, strong demand for work in many sectors of economy, whereas a record-high participation rate and the entry of Ukrainian war refugees in working age into the labor market provided space for employment to grow. With higher employment, the Lithuanian unemployment rate drooped to 5.8%, 1.3 p.p lower year-over-year.

Despite the war being waged in Ukraine, it is expected that many factors will contribute to a rapid increase in remuneration in Lithuania. The high demand for qualified workers and the lack thereof, the government decisions on public sector remuneration, the considerably higher minimum wage (13.7% increase to EUR 730 monthly), as well as the higher expected inflation will have their effect on remuneration.



## 2. External environment

### Latvia

The situation in Latvia in 2022 was completely determined by the war waged by Russia in Ukraine, the termination of trade with aggressor states, the acceptances of refugees fleeing the war in Ukraine, and a surge in the price of energy fuels.

The impact of the war could be seen most pronouncedly in the energy fuel market, where the rapid price increase and limited availability of resources caused the prices of gas and electricity to rise several times. In the second half of the year, when food prices also started to surge, inflation in Latvia reached levels unseen since the mid 1990s. In September 2022, it amounted to 22.2%, but became stabilized in the following months below 22%. In 2022, the average inflation was 20.8%.

In the first half of the year, economy was still rather effectively recovering from the restrictions imposed due to the COVID-19 pandemic; the service industries were showing high growth rates, but the second quarter was already marked by the effects of war and growing energy fuel prices. A GDP increase of 0.3% year-over-year was observed in Q4 2022. The construction sector played a large role in the change in GDP, being the the first of the large sectors to be affected by rising prices, rising construction costs and delays in completing work works. At the same time, growth was recorded in crop production, livestock and in the manufacturing industry.

### Estonia

Figures of Statistics Estonia show that GDP following Q3 2022 was 1.8% lower than in the previous quarter and 2.4% lower year-over-year. This means that the Estonian economy was shrinking rather rapidly for the second quarter in a row. However, despite the sudden price increase, consumption grew. Society was prepared for high inflation thanks to its savings accrued throughout the COVID-19 pandemic and resources withdrawn from the second pillar of the pension system. High consumption levels allowed companies to grow their profits, even with rapidly increasing costs.

Year-over-year, compared to the average value in 2021, consumer prices grew by 19.4%. The costs of household utilities rising had the greatest effect on the consumer price index. Compared to 2021, the price of electricity grew by 94.4%, gas by 123.8%, whereas heat by 49.1%. High inflation was having an ever greater impact on economic growth. The lower purchasing power and shrinking savings point to a potential fall in consumption at the end of 2022 and the first half of 2023.

The unemployment rate was 5.6% at the end of Q3 2022, registering a decrease of 0.6 p.p. compared to December 2021.

In the third quarter, the moderate upward trend was maintained both in export (3.6%) and in import (6.2%). The higher value of trade in goods was the result of mostly energy products and chemical products. In turn, there was strong growth in services, with exported services increasing by 12%, and imported service by 18%. This growth was largely thanks to the supply and sales of tourist and various transport services.

### Ukraine

The war instigated by Russia on 24 February 2022 against Ukraine made most risks for both the people and the business materialize. The loss in human resources and destruction of infrastructure due to Russian terrorist attacks an military action caused the economic situation to be substantially worse. Following an unprecedented fall in the first half of 2022, the Ukrainian economy started to gradually recover in the second half of the year; however, damage to critical infrastructure brought this process to a halt. In light of the foregoing, in line with the figures from the Ukrainian Ministry of Economy, the GDP of Ukraine fell by 30.4%, the largest decline in more than 30 years.

The accelerated inflation in 2022, which according the figure of the National Bank of Ukraine amount to 26.6%, results primarily from the effects of the Russian aggression on Ukraine. The most substantial of these effects are destructions of enterprises and infrastructure, disruptions to production and supply chains, increase in production costs, and temporary demand for some goods and services (the main driver for price increases is food). Importantly, despite such strong economic disruptions, the expectations concerning inflation on the part of economic activities (banks, corporations, household, analysts) have stabilized. Price pressure was stopped by the reference rate raise in June and its subsequent maintenance, as well as by low demand and fixed utility rates.

Disruptions in energy, water, and heat supplies, as well as problems regarding mobile and Internet networks caused by the regular mass attacks on critical infrastructure in Q4 2022 were one of the primary challenges and obstacles for business.

The December AmCham study showed that 31% of companies reported office or production plant damage; only 59% said that all employees were safe throughout the ten months of war; in turn, 98% of respondents supported the humanitarian movement or volunteerism in various ways.

Since the start of the war, the rating agency S&P Global Ratings has on numerous occasions updated its long-term and short-term foreign currency credit rating for Ukraine, and on 19 August raised the rating to “CCC +/C” with stable outlook thanks to debt restructuring and stable international financial support.

## 2.3. Situation on the financial markets

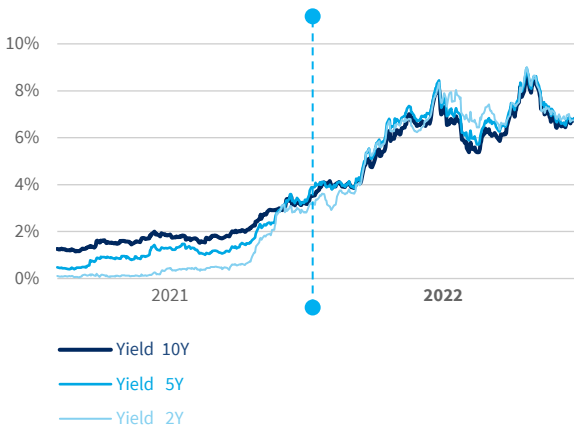
The final quarter of 2022 saw increases in the bond market, lower yields of government debt and the weakening of the US dollar compared to other foreign currencies. This market behavior was the consequence of the investors measuring the end to Fed interest rate raises between 2023 and 2024, more and more signals of disinflation from the raw material markets, shifting investor expectations from concerns about excessive inflation to discounting recession between 2022 and 2023, and signals for a recovery in 2023. The significant increases in prices of assets as at the end of 2022 were partly caused by the excessively pessimistic assessments in the first three quarters of 2022, after Russia's aggression in Ukraine caused drastic price surges in the raw material markets and put inflation at a course unseen for 30-40 years, threatening the fall of consumption.

### Bond market



The first half of 2022 saw the yield on Polish sovereign bonds rise. There were negligible dips in the yields in the third quarter, whereas the fourth quarter saw the reversal of this trend. Across the year, the yields on one-year bonds rose from 3.47% to 6.54%, on two-year bonds from 3.35% to 6.73%, on five-year bonds from 3.99 to 6.88%, and on ten-year bonds from 3.71% to 6.88% (according to Refinitiv). The spread of ten-year sovereign bonds, above their German equivalents, which was 389 bps as at the end of 2021, increased to 432 bps at the end of 2022 (Refinitiv). To address growing inflation, the National Bank of Poland raised the reference rate from 1.75% as at the end of December 2021 to 6.75% as at the end of September, and kept it at that level until December 2022. The situation on the core markets in 2022 contributed to the increased yields on Polish bonds. Yield curves on most markets rose significantly, as caused by the steep rise in inflation, inflation expectations and considerable interest rate raises as well as main central banks' announcements that the raises would be continued. As a consequence, over the year, the yield on US 10-year treasury notes rose from 1.498% to 3.831%, and the yield on German 10-year government bonds from -0.179% to +2.562% (Refinitiv).

Treasury bond yields in 2022 (Refinitiv Datastream figures)

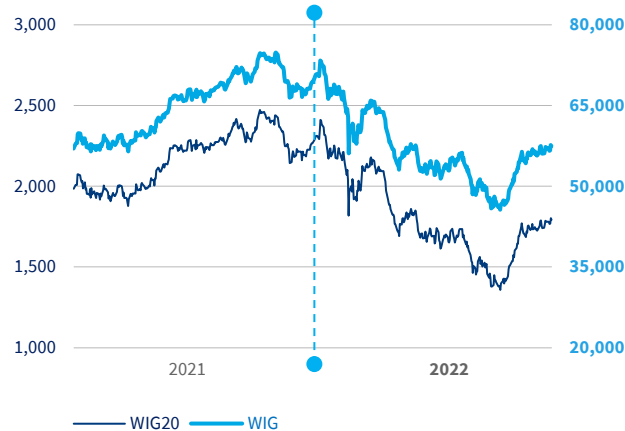


### Equity market



In 2022, the WIG20 index fell by 20.9%, the WIG index by 17.1%, the mWIG40 by 21.5%, and the sWIG80 by 12.8% (Warsaw Stock Exchange figures). The domestic equity market was affected by the pessimistic sentiments following Russia's attack on Ukraine, and interest rates raises on the part of NBP and the most important central banks worldwide. Growing inflation expectations and troubles with energy fuel supplies also did not help. The negative prospects for the equity market in the second half of 2022 were further exacerbated by the risk of the global economy going into recession, as a reaction to high raw material prices combined with growing interest rates. There was a recovery in the Q4 2022, after the first signs of inflation pressure subsiding and expectations concerning the dynamic of interest rate raises being held back. However, this was not sufficiently strong to recover the losses made in Q1–Q3 2022.

WIG and WIG20 indices (Warsaw Stock Exchange figures)



## 2. External environment

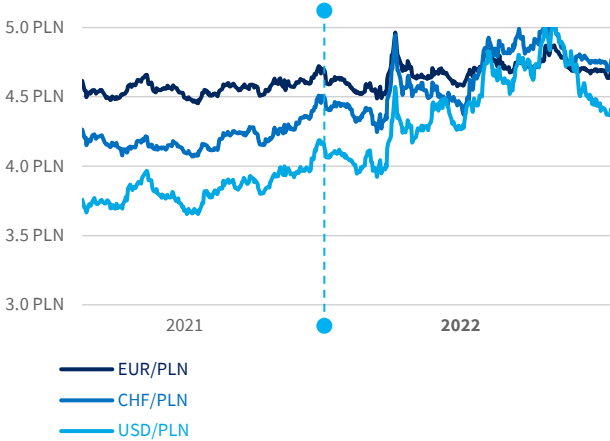
Most of 2022 saw declines in global equity markets caused by concerns about the adverse impact of the Russian aggression in Ukraine on prices of and access to energy fuels and food materials, as well as the discounting of tightened monetary policies. There was some rebound in Q4 2022, not enough, however, to fully recover the losses. In effect, in 2022, the American S&P500 stock index fell by 19.4% (S&P), while the German DAX index by 12.3% (Deutsche Boerse). Inflation, at levels unseen since the 1980s, high short-term interest rates and yields discouraged investors from buying stock. Asian indices also fared badly, where the aforementioned problems were exacerbated by fears of further lockdowns; this caused a 15.5% decline in the HSI index over the year.

### Currency market

Over 2022, the EUR/PLN exchange rate grew from 4.58 to 4.69 (Refinitiv), whereas USD/PLN from 4.03 to 4.38 (Refinitiv). The weakened zloty was a reaction to the growing geopolitical risk after the Russian attack on Ukraine. Drastic interest rate raises in Poland only weakened the depreciation of the zloty in relation to major currencies. The reduction in value of the Polish zloty and currencies of emerging markets was additional driven by the stronger and stronger US dollar due to the Fed's tightened monetary policy (interest rate raises and balance sheet reduction). This was reflected in a shift of the EUR/USD exchange rate to 1.07 as at the end of 2022 from 1.14 as at the end of 2021 (Refinitiv).

Polish zloty against Swiss franc grew from 4.42 as at the end of 2021 to 4.72 as at the end of 2022 (Refinitiv). The lower value of the Polish zloty compared to the franc derived from the increased rate between EUR and PLN and decreased rate between EUR and CHF (from 1.04 as at the end of 2021 to 0.99 as at the end of 2022 – Refinitiv), as caused by geopolitical tensions.

### PLN exchange rate (NBP figures)



### 2.4. Polish and Baltic States insurance sector compared to Europe



Insurers operating in the European Union in 2021 raised EUR 1,101 billion in premiums, representing approximately 19.0% of global gross written premium<sup>1</sup>.

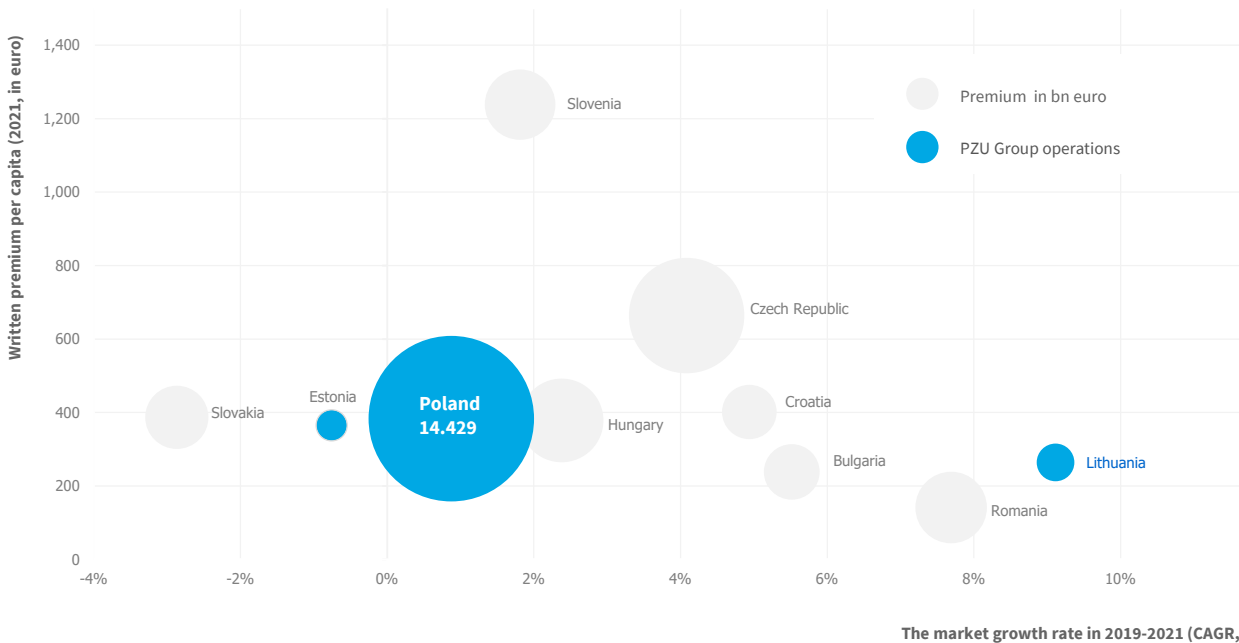
The year 2021 brought further challenges for the insurance market. Vaccines and gradual removal of pandemic restriction brought a relaunch of the economy, disrupted by the growing inflation at the end of the year. Growing digitization and process automation, observed at the beginning of the pandemic, continued in 2021. Remote work and customer service, with customers much more eager to conclude distance contracts or use digital tools in contact with insurers, was pursued. Due to the pandemic, clients were more fearful about the lack of access to medical care, severe illness or death of their closest family and friends, which generated more interest in life insurance and health insurance. The insurers still faced the challenge of growing natural disaster risk, high inflation, and the impact of the pandemic on business and sustainable finances.

In 2021, the average European citizen spent approximately EUR 1,977 on insurance<sup>2</sup>. This figure stood at EUR 1,842 a year earlier<sup>3</sup>. The average Pole spent EUR 381 on insurance in 2021<sup>4</sup>, which is nearly five times less than the average European citizen. Insurance spending by residents of Lithuania, Latvia and Estonia was even lower, at EUR 264, EUR 277 and EUR 365, respectively<sup>5</sup>. In 2021, the average Ukrainian spent only EUR 39 on insurance<sup>6</sup>. In Poland, the market insurance model has been developing since 1990. The post-pandemic economy recovery was favorable for the Polish insurance market which observed an increase in the total value of policies and is now one of the largest markets in Central and Eastern Europe. Gross written premium in the Polish market in 2020 amounted to EUR 13.6 billion<sup>7</sup>. In 2021, it was EUR 14.4 billion<sup>8</sup>.

The United Kingdom enjoys the largest insurance market in Europe (EUR 337.5 billion in written premium in 2021). Markets above the EUR 100 billion gross written premium threshold include Germany (EUR 231.8 billion), France (EUR 249.1 billion),

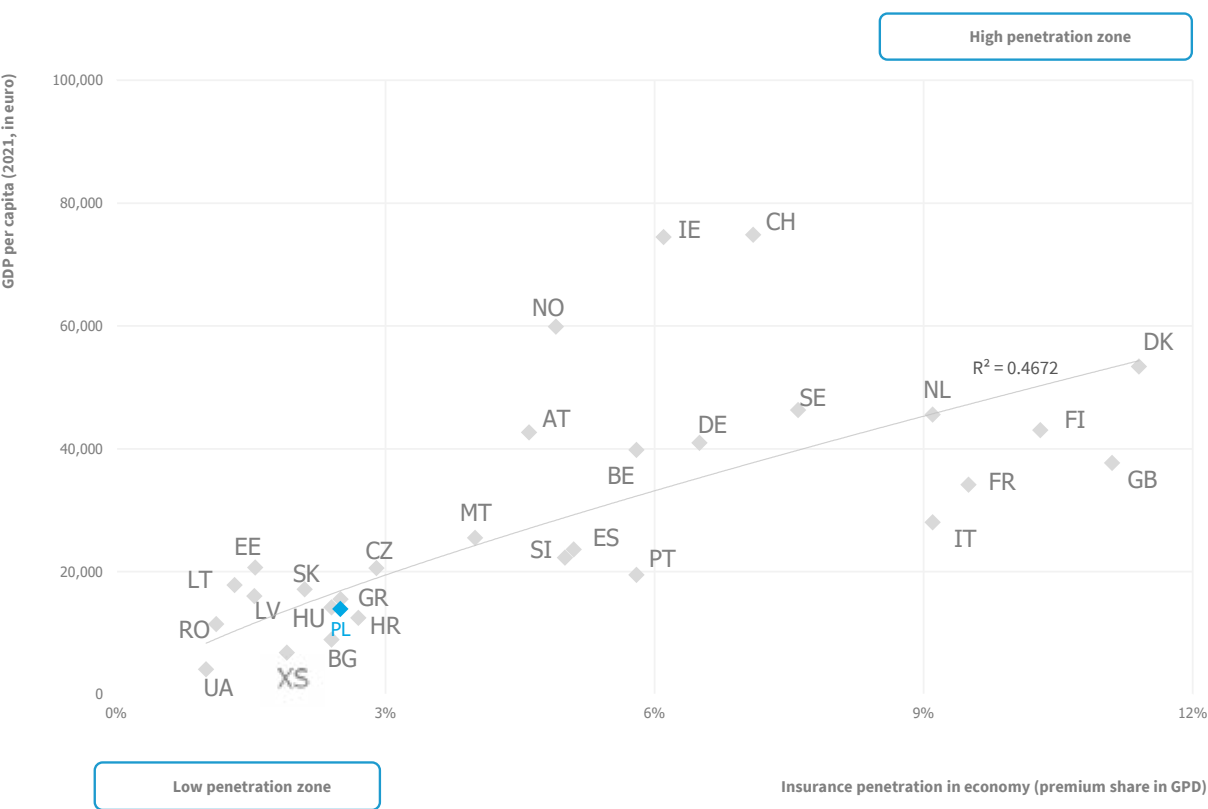
- 1), 6), 8) Swiss Re, [sigma 4/2022: World insurance: inflation risks front and centre](#)
- 2) 4) Swiss Re, [sigma 3/2021: World insurance: the recovery gains pace](#); Eurostat; [www.osp.stat.gov.lt](#); [www.fktk.lv](#); [www.andmed.stat.ee](#)
- 3) Swiss Re, [sigma 3/2021: World insurance: the recovery gains pace](#)
- 5) own calculations based on Eurostat and [www.osp.stat.gov.lt](#); [www.fktk.lv](#); [www.andmed.stat.e](#)
- 7) Insurance Europe, <https://insuranceeurope.eu/insurancedata>

### Gross written premium per capita (2021, EUR) in relation to the insurance market growth rate (2018–2021)



Source: Swiss Re, sigma 4/2022: World insurance: inflation risks front and center; Eurostat; [www.osp.stat.gov.lt](#); [www.fktk.lv](#); [www.andmed.stat.ee](#)

### Penetration of insurance in relation to GDP per capita in Europe (2021, EUR)



Source: Eurostat, Swiss Re Institute (sigma 4/2022)



## 2. External environment

and Italy (EUR 161.8 billion). In 2021, as regards its value, the Polish insurance market was also superseded by those countries in Western Europe which have a much lower population than in Poland, e.g.: Austria (EUR 18.6 billion), Belgium (EUR 37.2 billion), Denmark (EUR 38.3 billion), Finland (EUR 26.1 billion), the Netherlands (EUR 78.1 billion), Switzerland (EUR 48.9 billion) and Sweden (EUR 40.5 billion)<sup>9</sup>.

The structure of the Polish market is dominated by non-life insurance (68% of the market), with the majority of gross written premium generated by motor insurance. In 2021, gross written premium collected on motor third party liability insurance and motor own damage insurance accounted for 37% (38% in 2020) of the entire market's gross written premium<sup>10</sup>. The share of life insurance in Poland's total gross written premium (32%) was lower than the European average.

The Baltic countries are characterized by a similar structure of insurance markets. In those countries, life insurance, on average, accounts for less than 22% of total gross written premium<sup>11</sup>. In Western European countries, the situation is different and life insurance dominates. In 2021, over 41% of insurance premiums in Europe was generated in life insurance and nearly 59% in non-life insurance. Countries with the most developed life insurance market are countries that also have the largest insurance markets. These include Italy (in 2021, life insurance accounted for 75.9% of gross written premium), United Kingdom (71.2%), France (62.6%) and the Scandinavian states: Finland (81.6%), Sweden (75.7%), Denmark (74.9%) and Norway (59.0%)<sup>12</sup>.

Poland's insurance penetration rate, which is the ratio of total gross written premium to gross domestic product (GDP), is below the European average. In 2021, this rate stood at 2.5%<sup>13</sup>, whereas the Europe average was 4.9%<sup>14</sup>. Even lower penetration rates were achieved in the insurance markets of Lithuania (1.3%), Latvia (1.5%), Estonia (1.5%)<sup>15</sup> and Ukraine (1.0%)<sup>16</sup>. The highest penetration rates were recorded by Denmark (11.4%), the United Kingdom (11.1%), Finland (10.3%) and France (9.5%)<sup>17</sup>.

Analyzing the penetration of insurance in relation to GDP per capita, it can be expected that the Polish insurance sector will develop as Poland economy (GDP) grows, society becomes more affluent (with increasing disposable household incomes)

and insurance awareness of the local population grows, which was exactly the path taken by West European countries.

### 2.5. Polish banking sector compared to Europe



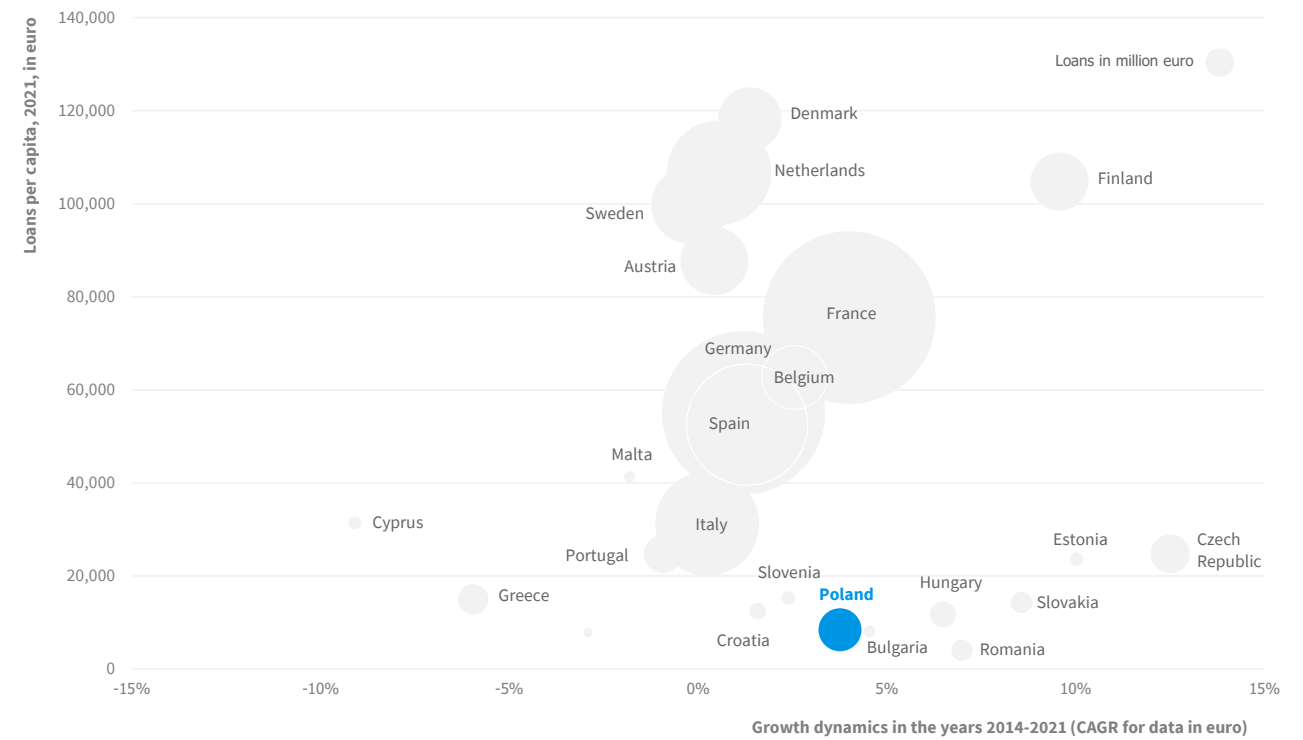
There has been a significant increase in Polish bank assets since the democratic transition. The Polish banking sector, measured by the value of its assets, is in the middle of the ranking of European markets. According to data of the European Central Bank (ECB), at the end of 2021, the Polish banking sector's assets<sup>18</sup> totaled EUR 563.7 billion.

The largest banking sector in the European Union is that of France (EUR 8,804 billion at the end of 2021<sup>19</sup>), with Latvia occupying the other end of the spectrum (EUR 25.3 billion at year-end 2021<sup>20</sup>). The assets of European banks (EU-27) as at the end of 2021 stood at over EUR 36 trillion (about EUR 32.7 trillion in the eurozone)<sup>21</sup>.

The Polish banking sector has one of the lowest ratios of assets to GDP in the European Union. As at the end of 2021, this ratio was as little as 97.4%, whereas the eurozone average is over 298%<sup>22</sup>. The low ratio in Poland results from a slower increase in banking sector assets than in 2020, which was characterized by the large involvement of banks in instruments issued and guaranteed by the State Treasury aimed at preventing the impact of the COVID-19 pandemic and the rise in GDP.

The Polish banking sector operates in accordance with the classic model of financial intermediation in which banks mainly provide loans to the non-financial sector using their customers' deposits in the process. Loans to the non-financial sector dominated (46%) as at the end of 2021 the structure of the Polish banking sector assets (48% in 2020)<sup>23</sup>. This is reflected in the high general share of loans in the banking sector's assets, which at the end of 2021 accounted for 56% of such assets and was slightly lower than the average for the banking sectors of the European Union (60%)<sup>24</sup>.

Loans per capita (2021, EUR) in relation to the insurance market growth rate (2014–2021)



Source: Own calculations based on Eurostat and European Central Bank figures

The asset structures of the Polish banking sector and the European Union differ. Compared to other EU Member States, Poland has the highest share of debt securities in banking sector assets, this share amounting to 28.3% at the end of 2021<sup>25</sup>. This difference became more pronounced in 2020, when Polish banks became significantly involved in buying back debt securities issued to finance schemes to mitigate the impact of the pandemic, and there was reduced demand for loans on the part of enterprises<sup>26</sup>.

At the end of 2021, the value of loans in the Polish banking sector amounted to EUR 318.1 billion, which places Poland in the middle of the ranking of European Union countries. The average value of loans furnished in the European Union in 2021 was EUR 816.1 billion<sup>27</sup>.

Compared to other European Union states, Poland's banking sector is small in relation to the country's GDP. Bank loans in the Polish banking system are at the level of 55% of GDP, while

the European average is 120%. Finland (231%) and the Netherlands (219%) have the highest loan-to-GDP ratios<sup>28</sup>.

Despite the higher demand for loans in 2021, the Polish banking market still enjoys a rather low share of business loans in total loans furnished to the non-financial sector (31% as at the end of 2021, whereas this share is ca. 43% in the eurozone and Central and Eastern European countries)<sup>29</sup>.

Business loans to GDP in the Polish banking sector (17%) was one of the lowest indices in Europe, with similar levels achieved in Romania and Ireland.

Due to the pandemic, the difference between Poland's and European Union's loan portfolio became deepened; in 2020, the reduced demand from enterprises for loans in Poland was due to the subsidies provided as part of the Polish Development Fund's (PFR) Financial Shield for companies. In Europe, in turn, government guarantees for bank loans were a popular aid model, which reduced credit risk for banks, thereby stimulating growth in loans<sup>30</sup>.

25, 27) European Central Bank, <https://sdw.ecb.europa.eu/>

26) National Bank of Poland, Rozwój systemu finansowego w Polsce w 2021 r.

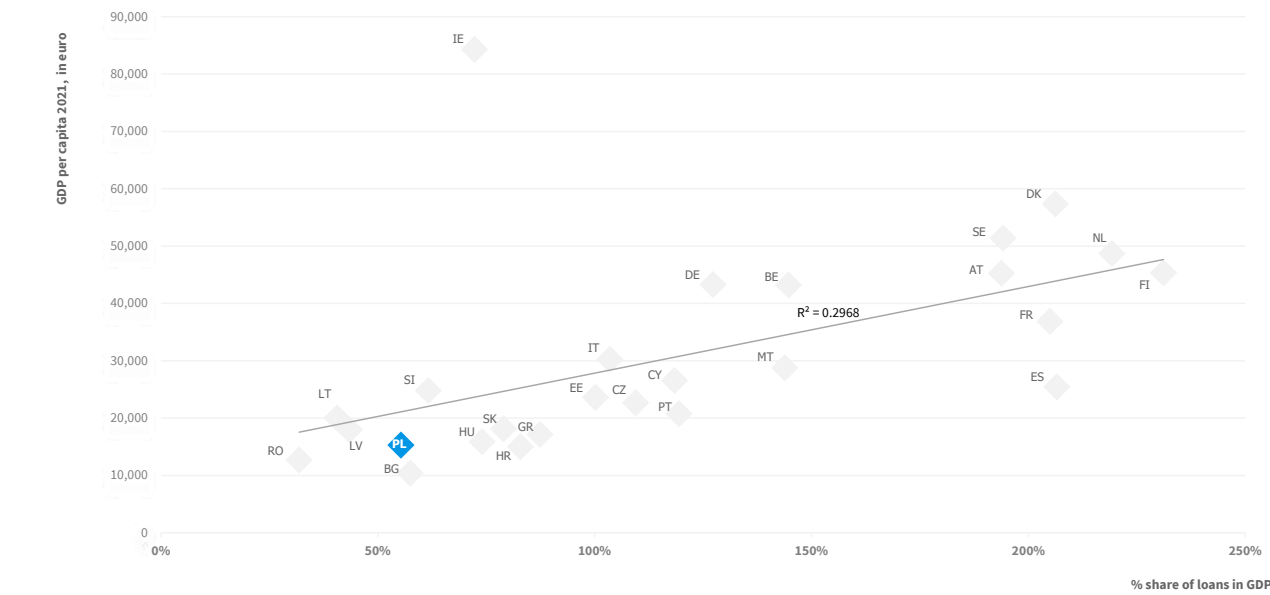
28) European Central Bank, <https://sdw.ecb.europa.eu/>;

29) National Bank of Poland, Rozwój systemu finansowego w Polsce w 2021 r.

30) National Bank of Poland, Rozwój systemu finansowego w Polsce w 2020 r.

## 2. External environment

Share of loans in GDP (2021, %) to GDP per capita (2021, EUR)



Source: Own calculations based on Eurostat and European Central Bank figures

In 2021, with wider running operations, gradual phase-out of subsidies within the PFR Financial Shields, and a slightly laxer loan policy, one could observe higher demand for loans (business loans in Poland grew by 3.8% y/y). A similar policy was pursued by banks in Central and Eastern European countries (average growth in those countries was 8.6%), whereas in eurozone (3.3% growth rate) the changes to the loan policy were considerably fewer.<sup>31</sup>

The lending activity of banks in Poland focuses on granting loans to households. The upturn in the housing market and low interest rates throughout most of 2021, along with heightened inflation, contributed to higher household demand for housing loans. The receivables in this respect grew by 6.6%, the fastest growing segment of the non-financial sector loan portfolio.

In 2021, just like in Poland (62%), mortgage loans in all EU Member States (78% in eurozone) made up the biggest share of household loans<sup>32</sup>. Poland's lower share of mortgage loans in bank assets results from the fact that these loans are a relatively new product. In comparison, in 2005, said share in household loans amounted to 30% in Poland, while in some Western European countries it exceeded 80%<sup>33</sup>.

31, 32) National Bank of Poland, Rozwój systemu finansowego w Polsce w 2021 r.

33) National Bank of Poland, Rozwój systemu finansowego w Polsce w 2019 r.

The banks easing their loan terms, and the improving economic situation for households in 2021 contributed to a growth in demand for consumer loans. Poland is one of the EU states with the largest share of consumer loans in household loans (38%)<sup>34</sup>.

In Poland, to a greater extent than the average for the European Union, banks finance their business with deposits from the non-financial sector. As at the end of 2021, they contributed 60% of the banking sector's balance sheet total. 62% of total non-financial sector deposits are private deposits<sup>35</sup>.

In 2021, the financial assets being at the relatively free disposal of households increased by 7.8% y/y to PLN 1,773.1 billion at the end of December, and their ratio to GDP fell to 67.6%, which caused by the faster growth of nominal GDP. As in 2020, households opted for safer options as regards holding their finances, such as bank deposits or cash, which remain the most popular form of collecting financial assets. In 2021, the share of cash rose by 0.6 p.p. y/y to 18.9%. At the same time, in 2021, the share of bank deposits in assets decreased by 0.7 p.p. y/y, but still stood at the considerable 59.8%. The decrease in this asset was caused by, among other things, the smaller scale of resources received by microentrepreneurs within the framework of so-called shields to prevent the impact of the COVID-19 pandemic, the evident outflow towards investment

34) National Bank of Poland, Rozwój systemu finansowego w Polsce w 2021 r.

35) National Bank of Poland, Dane finansowe sektora bankowego

in real property, and greater consumer demand<sup>36</sup>. At year-end 2021, deposits in banks and credit unions accounted for 60.3% of the financial assets of households (-0.7 p.p. y/y), and 79.2% if counted together with their accumulated cash. Financial assets of households in the form of life insurance assets (including unit-linked funds) totaled PLN 57.5 billion in 2021, which accounted for 3.2% of total financial assets of these households (-0.6 p.p. y/y).

The rather low interest rates maintained throughout 2021 encouraged households to seek ways to hold capital alternative to deposits. Households were more engaged in investing their savings in shares listed on the Warsaw Stock Exchange (5.0% of financial assets; +0.1 p.p. y/y), treasury securities (3.1%; +0.6 p.p. y/y) and investment fund participation units (9.4%; +0.1 p.p. y/y). Non-treasury securities were the rarest form in which households held their money; their share in financial assets was as little as 0.1 % (-0.1 p.p.y/y)<sup>37</sup>.

### 2.6. Regulations pertaining to the insurance market and the financial markets in Poland

In 2022, the regulatory changes most significant for the PZU Group included the amended Road Traffic Law, the introduction of the recommendation of the Polish Financial Supervision Authority concerning motor insurance claims handling, the adoption of the Act on social funding for economic ventures and borrower assistance, and the so-called Polish sanctions act in relation to the war in Ukraine.



On 1 January 2022, the decision of the Polish Financial Supervision Authority of 15 August 2021 on prohibitions on marketing, distribution and sale of insurance-based investment products -life insurance contracts, if they are unit-linked (so-called product intervention) came into force. Among other things, the decision prohibited the marketing, distribution and sale of unit-linked life insurance contracts for which the average return is less than 50% of the interest rate for the period specified in the decision in line with the relevant risk-free rate term structure. The product intervention does not apply to enrolment in group insurance concluded before 1 January 2022, and does not apply to Employee Capital Schemes, Employee Pension Schemes, Individual Retirement Security Accounts and Individual Retirement Accounts. PZU Życie has implemented the necessary measures that ensured adaptation to the product intervention, in particular it assured that the product offer updated since 1 January 2022 included

36, 37) National Bank of Poland, Rozwój systemu finansowego w Polsce w 2021 r.

solely and exclusively products that meet all the criteria set forth in the decision issued by the regulatory authority.

In relation to Russia's aggression in Ukraine which commenced on 24 April 2022, 16 April 2022 saw the entry into force of the Act on specific solutions to prevent the support of aggression in Ukraine and protect national security (so-called Polish sanction act), which provides for criminal and administrative liability for failure to apply or violate sanctions and restrictions imposed by the European Union or the Republic in Poland in relation to Russia's aggression in Ukraine. At the same time, April 2022 saw the publication of the first Polish sanction list. In effect, the new provisions had a significant impact on the activities of the PZU Group as regards the identification of sanction risk and reputational risk related to granting cover for persons and entities sanctioned, or persons or entities related thereto. This act, along with EU sanction regulations (including those in the US and the UK) means that it is all the more important for companies to identify and implement various sanctions in their activities, so as to avoid the risk of bearing the penalties due to non-compliance.



On 17 June 2022, Article 8 of the Act of 2 December 2021 amending the Road Traffic Law and certain other acts, came into force; it amended the Mandatory Insurance, Insurance Guarantee Fund and Polish Motor Insurers' Bureau Act, allowing insurance companies to process personal data on infractions or offences constituting violations of road traffic law and penalty points assigned thereto to assess insurance risk and tariffs on concluding an insurance contract. This will allow the insurance offer to be better adjusted to a client's risk profile.



Since 29 July 2022, the Act of 7 July 2022 on social funding for economic ventures and borrower assistance has been in force. Under this act, mortgage borrowers gained the right to suspend the payment of up to eight mortgage loan instalments throughout 2022 and 2023, this being called a "loan repayment holiday." Because of the decrease in interest revenue in this respect, for this purpose, banks created provisions of 50% to 85% of the full revenue on loan repayment holidays, depending on the participation levels assumed. Pursuant to this act, lenders were also obliged to pay an additional total of PLN 1.4 billion to the Borrower Support Fund by 31 December 2022.

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The [Recommendation of the Polish Financial Supervision Authority on motor insurance claims handling](#) entered into force on 1 November 2022.

The Recommendation covers such questions as timely payment of benefits, payment of benefits in line with the principle of full compensation, compliance with disclosure obligations towards authorized entities, supervision and review over the claims handling process on the part of insurance company authorities, internal review during the claims handling processing, as well as supervision and review of insurance companies over external entities entrusted with claims handling activities. Some of the provisions included in the Recommendation are controversial, such as no option to apply discounts and rebates when the cost estimate claims handling method is applied for motor third party liability insurance.

### EU regulations pertaining to the growing awareness in sustainable financing, climate change and environment protection:

[Regulation \(EU\) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment \("taxonomy"\)](#) has been in force, in principle, since 1 January 2022. The regulation sets out the criteria against which "green" financial products can be built. It also introduces the need to use labels in information about the products offered that indicate whether or not we are dealing with a product taking account of the taxonomy. In addition, a company that is required to publish non-financial information will be required to include in its non-financial statement or consolidated non-financial statement information on how and to what extent its business relates to economic activity that qualifies as environmentally sustainable.

On 1 January 2022, delegated acts to the taxonomy also came into effect:

- [Commission Delegated Regulation \(EU\) 2021/2178](#) supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation;
- [Commission Delegated Regulation \(EU\) 2021/2139](#) supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic

activity causes no significant harm to any of the other environmental objectives.

On 6 April 2022, the European Commission adopted the [technical standard for Regulation \(EU\) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector \(SFDR\)](#), specifying the content, methodologies and presentation of information in relation to sustainability indicators, products which promote environmental or social characteristics (Article 8) and products which have sustainable investment as their objective (Article 9). This act constitutes a key guideline for the scope and manner of presentation of disclosures required by SFDR. Regulatory technical standards (RTSs) came into force on 1 January 2023.

On 2 August 2022, amendments to the following regulations entered into effect:

- [Delegated Regulation \(EU\) 2015/35](#) supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II). In accordance with the amendments, insurance undertakings will have to reflect, among other things, sustainability risks in their system of governance. The risk management function will be required to identify and assess risk to sustainable development, while the actuarial function will be obliged to consider the risk to sustainable development in assessing the uncertainty associated with estimates made in calculating technical provisions;
- [Commission Delegated Regulation \(EU\) 2017/2358](#) supplementing Directive (EU) 2016/97 of the European Parliament and of the Council with regard to product oversight and governance requirements for insurance undertakings and insurance distributors. The amendments include testing the product on whether it meets the sustainability goals of the target group customer;
- [Commission Delegated Regulation \(EU\) 2017/2359](#) supplementing Directive (EU) 2016/97 of the European Parliament and of the Council with regard to information requirements and conduct of business rules applicable to the distribution of insurance-based investment products. In this case, the amendments include, among other things, obtaining information from the client to assess whether the product meets the client's sustainability preferences and offering a product that meets the client's sustainability preferences.

On 16 December 2022, the text of Directive 2022/2464 [as regards corporate sustainability reporting \(Corporate Sustainability Reporting Directive – CSRD\)](#) was published. Its

provisions supersede a series of solutions relating to so-called non-financial reporting, included i.a. in Directive 2014/95/EU (Non-Financial Reporting Directive – NFRD). By 30 June 2023, the European Commission is to present delegated acts to the directive, under which uniform European Sustainability Reporting Standards (ESRS). The first group of obligated entities will have to make its sustainability reports in line with CSRD for 2024 (further large undertakings for 2025, whereas listed SMEs for 2026).

### Regulations in force since the beginning of 2023:

1 January 2023 saw the entry into force of most provisions of the amended [Act on Complaints Handling by Financial Market Participants and on the Financial Ombudsman](#), which increases the maximum financial penalty the Ombudsman may impose on financial market participants who hinder complaints filing from PLN 100,000 to PLN 1 million. The Ombudsman's competences are also stronger, now that they may participate in civil proceedings involving customers of financial institutions and their successors.

16 January 2023 was the day [Regulation \(EU\) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector \(DORA\)](#) came into force. The objective of the new provisions is to increase information security of financial operators such as banks, as well as insurance and investment companies. The entities subject to DORA have until 17 January 2025 to adapt to the new requirements.

### Selecting rulings of the Supreme Court issued in 2022 which may impact insurance business:



On 13 January 2022, in the case under file no. III CZP 61/22, the Supreme Court passed a resolution stating that the statute of limitations for claims of consumers being the insured or the policyholders in respect of the recovery of sums wrongly paid related to the insurer's collection of fees that do not constitute costs of insurance cover during the term of the unit-linked life insurance contract pursuant to abusive clauses may not commence before the consumer learns or, to reasonably put it, should learn that the given provision is abusive.

On 14 January 2022, in the case under file no. III CZP 7/22, the Supreme Court passed a resolution under which an insurance company's liability arising from a third party insurance obligatory for owners of motor vehicles also covers claims incurred due to the operation of a device installed in the vehicle, also if during the incident the vehicle was not in traffic.

On 20 January 2022, in the case under file no. III CZP 9/22, the Supreme Court passed a resolution stating that the perpetrator of a traffic accident and insurance company with which the perpetrator has concluded a motor vehicle third party liability traffic accident insurance contract are liable towards the administrator of the roads for damage caused to road pollution because of engine fluids.

On 18 February 2022, in the case under file no. I SNN/c78/21, the Supreme Court granted the extraordinary appeal of the Prosecutor-General against the final and non-appealable ruling of the Regional Court in Szczecin of 17 August 2017 and remanded the case back for reconsideration. The Supreme Court sees no doubt that claims to which a person is entitled from the insurer under a third party liability insurance for damage to a motor vehicle is not limited to the equivalent of the expenses incurred to repair the vehicle, but also to the equivalent of hypothetical expenses of restoring the vehicle to its original condition, and shall from time to time cover necessary and economically reasonable costs of repair.

On 6 October 2022, in the case under file no. III CZP 119/22, the Supreme Court adopted a resolution in which it expressed its opinion on the question of deducting discounts and debates obtainable under cooperation between the victim and the insurer in the claims handling process from the claim amount payable under an obligatory motor vehicle third party liability insurance for damage arising in traffic. The Court found that the claims payable from the insurance company pursuant to a motor vehicle third party liability insurance for traffic accidents involve solely the necessary and economically reasonable costs of repair. Therefore, the insurance company may account for the discounts and rebates in the claim amount paid, provided that in the given matter, it will be possible to assume that these are within the scope of or even constituent for the necessary and economically reasonable costs of repair.

On 8 December 2022, in the case under file no. II CSKP 726/22, the Supreme Court dismissed the cassation appeal brought by the owner of a vehicle damaged in a traffic accident in the matter concerning the insurer's payment of a claim amount calculated under the so-called cost estimate method as the equivalent value of restitution expenses (incurred to restore the vehicle to its original condition). The justification of the ruling pointed to the claims being dynamic, and the claims amount may change over time relevant to the circumstances following the accident. Compensation claims arise within the victim's assets when damage arises, but is not subject to petrification and is not a fixed and stable asset. On the contrary, if the victim pursues compensation within court proceedings, damages awarded cover the damage existing at the date the trial is closed. The Court also indicated that



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claims calculated under the cost estimate method is usually higher than claims determined under the differential method, and after the claims are paid there is no option to review the way under which the financial resources are spend, including to verify whether they were used to finance the repair. In consequence, contrary to the principle of damage compensation, the victim's assets are in a better position than before the accident; the victim receives a financial "excess" as a result of the value of damage arising from the motor accident being lower than the amount paid as equivalent to costs (ultimately not) incurred for restitution.

### 2.7. Factors that may affect the conditions of operations and the PZU Group's activities in 2023

Due to the scope of the PZU Group's business (insurance sector in Poland, the Baltic States and Ukraine, mutual and pension funds sector, banking), the main factors that will shape the environment in which the Group operates and that may have a direct impact on the development and results of the Group in the medium term, in particular in 2023, may be divided into the following three categories:

- macroeconomic and geopolitical factors;
- legal and regulatory factors;
- market factors, specific to individual sectors or businesses in which the Group is involved.

#### Macroeconomic and geopolitical factors

The growth rate, level and structure of the key macroeconomic factors in Poland and abroad (GDP, inflation, interest rates) translate into the growth rate of business in all sectors in which the PZU Group operates and their profitability. They determine, directly or indirectly, albeit with a certain time lag, the gross written premium growth rate in non-life insurance, changes in demand for credit, accumulation of deposits and inflow of assets into funds. Moreover, they influence the claims ratio in non-life insurance and the investment result. They also determine the fund management results and key measures affecting the performance of the banking sector (interest margin and costs of risk).

In 2023, what remains a particular threat is the ongoing **war between Russia and Ukraine, materializing primarily through greater uncertainty and risk of further supply shocks in the food, gas and crude oil markets** (disruptions

in trade with Russia, Belarus and Ukraine to a lesser extent). Natural gas is broadly used in many energy-intensive production processes. Additionally, the cost of gas is an important part of household budgets. The shock of rising prices may contribute to a deeper than currently expected weakening of the rate of growth in consumption and may suppress the GDP growth rate even more. Increased uncertainty may, in turn, exacerbate sentiments among investors. There is also the risk that the ongoing increases in prices of gas, oil, food and energy – due to the so-called second-round effect – translate into higher measurements of CPI in the long term, which may limit the opportunity for the change in the sentiment of central banks expected by the market.

Higher regional and global aversion to risk regarding the Russian-Ukrainian war may result in an outflow of foreign capital, continued fall of stock indices, or an ongoing weakening of the zloty. This may also contribute to a further rise in bond yields, although the action taken with regards to monetary policy will also be important in this respect. If the National Bank of Poland finds there still is a significant risk of higher inflation in the medium term, the Monetary Policy Council may decide to once more raise the interest rates, which compared to forecasts would dampen economic demand. If the supply shocks pose a threat of a major deceleration of GDP growth – and the risk of a persistently high inflation in the medium term clearly diminishes – the NBP may opt for a more dovish monetary policy.

Even though three years have passed since SARS-CoV-2 was identified, the COVID-19 pandemic was still present as at the beginning of 2023. With restrictions lifted coronavirus spread more strongly in China, and the new XBB1.5 variant reached Europe in January 2023. The risk of a mutation more dangerous than those which have appeared so far, resistant to existing vaccines, still may not be ruled out. The resumption of the COVID-19 state of epidemic in Poland in 2023 is unlikely; however, it is worth remembering **the business restrictions** that arose due to the sanitary restrictions of Poland and its trade partners in 2020. Disruptions associated with the pandemic hit hardest the service sector, transport, trade, restaurant and hotel services, and the broadly construed cultural and entertainment sector. Even though it seems the financial sector handled the impact of COVID-19 well, the epidemic might still generate new challenges for insurers, banks and financial institutions in offering products or aftersales service.

The war, the pandemic and global disruptions may heighten the tensions in **supply chains and transport**, which may

in turn put further pressure on the rising prices of raw materials, components, and finished products. This can lead to a downturn in the economic activity of Poland and other countries, and generate an increase in costs of insurance claims.



**Continued high inflation** may be another factor affecting insurance business. Inflation raises amounts claimed, costs of claims handling, and costs of business. It also creates a problem for clients related to the depreciation of insurance benefits in long-term products, significantly reduces the real value of life policies and erodes the guaranteed sum in third party liability insurance (e.g. D&O policies). Growing inflation and high costs may bring about the risk of underinsurance, present when the declared value of assets (such as movable and immovable property and content thereof) and risks are lower than in reality. When underinsurance arises, the insurer accordingly diminishes the sum they are obliged to pay, accounting for the ratio between the insurance value and the real value of the assets lost. As a consequence, the compensation paid out might not be enough to cover the real costs of restoring the assets insured. This is a particularly significant risk for corporate insurance, which may hinder the restoration of business and cause liquidity and stability problems for enterprises.



**With remuneration growing at a rate slower than inflation**, companies are more often able to extend their offering of group insurance, treating it as an appealing company benefit. For example, as regards health insurance, policy options covering more benefits, including mental and psychological services, may be

offered. In turn, as regards life insurance, it is possible to introduce less standard solutions, such as income insurance, ensuring monthly payments until the insured recovers.



The economic environment, in particular the actions of the Monetary Policy Council with respect to **interest rates** and the reserve requirement, play a key role in the functioning of the banking sector. A very low interest rate environment has a negative effect on the sector's performance (by affecting the banks' net interest income), which could be felt in 2021. An increase in market interest rates contributes to financial stability, because it helps improve profitability and the financial standing of banks and insurers. In turn, however, it carries risks to financial stability by contributing to a deterioration of the quality of banks' loan portfolios. **Higher yields on bonds** measured at arm's length in portfolios of banks and insurers involve a reduction in their nominal value. The effect for insurance companies of this matter depends on the difference between the duration of assets and equity and liabilities. Furthermore, administrative solutions aimed at lowering the cost of rising interest rates for households (such as so-called loan repayment holidays) will limit the profit of the banking sector.

In an environment of recovering demand and an improving labor market, the higher inflation is resulting in tighter monetary policy. There is a risk that the response of central banks will turn out to be too strong, causing an excessive cooldown of the economy, leading potentially to a global

Polish economy highlights	2020	2021	2022	2023*
Real GDP growth in % (y/y)	(2.0)	6.8	4.9	1.0
Individual consumption growth in % (y/y)	(3.6)	6.3	3.0	0.0
Growth of gross fixed capital formation in % (y/y)	(2.3)	2.1	4.5	1.6
Consumer price index in % (y/y, annual average)	3.4	5.1	14.4	11.6
Nominal salary growth in the national economy in % (y/y)	6.2	8.7	11.7	10.0
Unemployment rate in % (end of period)	6.8	5.8	5.2	5.5
NBP's prime rate in % (end of period)	0.10	1.75	6.75	6.25

\*) Forecast as of 15 March 2023.

Source: CSO/Bureau of Macroeconomic Analysis PZU

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recession. In turn, too weak a response from central banks could mean an extended period of high inflation.

The coming into life of the economic recovery scenario and a reduction in the level of uncertainty across the financial markets may result in a slight appreciation of the Polish zloty. This would help reduce expenses related to the prices of spare parts in motor insurance. However, in the conditions of the Russian-Ukrainian war, current account deficit of the balance of payments, and concerns pertaining to a global downturn of economic activity – **the risk of weakening of the Polish zloty** remains – at least temporarily – relatively high.



In turn, a lower-than-expected growth of GDP along with high inflation and lower individual consumption and internal demand may lead to

**households and the corporate sector reducing their expenses towards the purchase of insurance policies**, lower loan sales and therefore lower borrower insurance sales, as well as reduced demand for life insurance, especially as companies limit the benefits they offer. Poorer financial standing of companies may result in an increase in credit risk (in particular in the banking segment) and higher loss ratio on the financial insurance portfolio, further weakening of the growth rate of new mortgage loans and a weaker growth rate of consumer loans.

### Legal and regulatory factors

The PZU Group's activity and operations are subject to the impact of both national regulations and European legislation.



From the perspective of the **insurance business**, the Group's activity has been affected by all regulations and case-law affecting the level of premiums and claims paid by insurance companies.

As for motor insurance, what may be particularly important are the amendments to the Road Traffic Law and the Recommendation of the Polish Financial Supervision Authority on motor insurance claims handling as described in [CH. 2.6 REGULATIONS PERTAINING TO THE INSURANCE MARKET AND THE FINANCIAL MARKETS IN POLAND](#). These concern, among other things, the option for insurance companies to link motor insurance tariffs to the infractions committed by the drivers and no option to apply discounts and rebates when the cost estimate claims handling method is applied for motor third party liability insurance. Even though the Recommendation of the Polish Financial Supervision Authority causes some confusion due to being in numerous aspects inconsistent with the case-law of the Supreme Court, both changes may have an impact on the prices of motor insurance policies.

What may have an effect on the bancassurance market is the **amended U Recommendation** on good practices in bancassurance products. In the second half of 2022, the Polish Financial Supervision Authority prepared the draft amendment and referred it for market consultations. The changes suggested involved extending the recommendation onto all section I and II products, including statutory group 5 life insurance products; introducing a provision ensuring the adequate value of an insurance product for the client; limiting bank commission for distributing insurance products up to 50% of assumed costs of claims and benefits; and building products in such a way that the assumed costs of claims and benefits are at least 50% of the equivalent value of the insurance premium. The draft envisages the implementation of the amended U Recommendation by banks and departments of loan institutions by 30 September 2023.



One of the more important factors in 2023 in the **context of banks** will still be the **issue of foreign currency mortgage loans**. Given the scale of new lawsuits, the growing number of court judgments which are unfavorable for banks, and another significant CJEU ruling, the risk factor lies in the potential need to establish new provisions to cover the client claims in respect of lost trials concerning loans denominated in Swiss francs.

In 2023, the cost of statutory **loan repayment holidays** may continue to have its impact on the results of the banking sector. The Act on social funding for economic ventures and borrower assistance gave the borrowers an opportunity to suspend the repayment of loan instalments for eight months throughout 2022 and 2023 – two months in Q3 and Q4 2022, and one month in each quarter of the year 2023. Even though banks did in Q3 2022 establish provisions related to the loss of interest income due to loan repayment holidays, what remains a risk factor is the potential extension of this scheme onto 2024, and the introduction of a new contribution for the Borrower Assistance Fund in 2023.

What has a positive impact on the banking sector's results is the lack of BFG contribution payable to the bank guarantee fund in 2023. Banks will only have to bear the contribution payable to the bank resolution fund in the amount of PLN 1.455 billion, lower than the year before. In 2022, the value of BFG contributions amounted to PLN 2.195mn, including PLN 1.693 billion for the bank resolution fund and PLN 0.502 billion for the bank guarantee fund.

Regulatory burdens of financial institutions related to the growing awareness in sustainable financing, climate change and environment protection are higher thanks to the European regulations described in [CH. 2.6 REGULATIONS PERTAINING TO THE INSURANCE MARKET AND THE FINANCIAL MARKETS](#).

**IN POLAND.** The year 2023 will be another transition period as regards taxonomy disclosures for insurers and banks. At the same time, banks will for the first time have to make disclosures regarding ESG risk management in their business under third-pillar capital adequacy reporting. Matters of sustainable development are becoming more and more important in the ongoing business of financial institutions. Many of them incorporate ESG objectives into management objectives, on par with purely financial objectives. Insurers and banks are more and more often assessed under such criteria as the extent to which their actions mitigate climate change, promote diversity among their employees and management, support an inclusive organizational culture, and increase transparency of decisions and management structures.

### Market factors specific to the sectors in which the PZU Group operates

The PZU Group's operating conditions and results are affected by factors and conditions specific to the sectors in which the Group companies operate. Currently, the most important involve the competitiveness in core groups of products for the Group's business; the social, economic and health-related impact of the COVID-19 pandemic; demographic changes; development of technology; and climate change.



One of the most pertinent challenges before the insurance industry in Poland and worldwide is the immense **insurance** gap created by risks faced by people in their lives – both privately and in the corporate environment – which are not covered by insurance products existing in the market, and those for which cover has not been bought out by the interested parties themselves. It is estimated that worldwide, this gap amounts to USD 1.5 trillion, this being the total value of premiums which should be paid in order for clients to avoid potential costs of risk materialization<sup>38</sup>. Part of the gap concerns life insurance and health insurance, but is also related to new risks involving climate change, green transition, and cybersecurity. Risks related to insuring natural disasters still pose a challenge. The insurance gap is an opportunity to build insurance awareness among clients. What is immensely important here is education addressed particularly to the young generation, and an adequate adaptation of the insurance offer.

In 2023's **motor insurance**, the diminishing profitability of third party liability insurance will be a challenge. Even if claims arise infrequently (given, among other things, the more widespread hybrid working models and high fuel prices), amounts payable under claims rise because of such factors as inflation or the Recommendations of the Polish Financial

<sup>38</sup>) 9th Congress of the Polish Chamber of Insurance, speech by Pia Tischhauser, senior partner and managing director at Boston Consulting Group.

Supervision Authority on claims handling. Because of the latter, there may be a change in how claims are settled, and payments under the cost estimate method may rise. The growing prices of repair shop services, spare parts and cars may have an impact on the increase in motor insurance prices. In turn, the ability to use the particulars recorded in the Central Register of Vehicles and Drivers and the insurer's insight into the drivers' history of infractions make it possible to adjust the offer to the client risk more precisely, and to justify a higher premium.

Growing **electromobility** also significantly impacts the motor insurance segments, in the context of claims handling and premium calculation, as valuing a policy for an electric car involves other rules than for vehicles with combustion engines. With respect to the latter, one of the more important criteria for valuing motor insurance is engine capacity, because this determines the car power which translates to potentially more considerable damage. Electric cars have no engine capacity, which is why insurers need to modify their tariffication method for third party liability insurance and own damage insurance.

The premium in **non-life insurance / property insurance** will also be affected by the market value of property insured. To avoid the problem of **underinsurance** (i.a. due to higher inflation), sums insured under policies for both individual and corporate clients should be updated and adjusted to the real value of the assets insured. This, in turn, will involve a higher insurance premium, but only thanks to this approach will it be possible for the amounts claimed to fully cover the restoration of property damaged or lost.

The COVID-19 pandemic raised the feeling of uncertainty and therefore insurance awareness among clients. This is related to the expected higher demand for **life insurance** and **health insurance**. Similarly, the fact that healthy, active yet safe living is in vogue globally increases interest in insurance and medical products. The challenge for the insurance industry is not only to maintain this interest, but also to prepare an appealing offer in different channels of distribution. Changing customer expectations will affect the business and performance of the PZU Group in these two areas of activity. In particular, this concerns the personalization of the offering and the provision of a quick and easy access to a comprehensive ecosystem of health-related services.




The health market is still facing such effects of the pandemic as the **health debt**. The long tail of the epidemic, in the form of deteriorating health for many people and the resulting complications, may drag on for years. The possible overlap of the long-term effects of the pandemic and the effects of not treating other diseases will be an additional risk factor. The pandemic has also evidenced other problems, such as obesity which is a

## 2. External environment

precipitating condition for most chronic diseases, such as diabetes, hypertension, heart diseases and motor diseases.

Other factors that will affect PZU's operations over the long term include **demographic trends**, mainly the aging population, mortality, morbidity, especially of civilization diseases, and fertility rates. As the population continues to decline, coupled with the simultaneous aging of the population, the demand for health care and long-term care to senior citizens increases.

 **The development of telemedicine** is one more factor changing the landscape of the health market. Telemedicine has proven to be an essential component of healthcare delivery during successive waves of the pandemic. However, many solutions combining the elements of telecommunications, IT and medicine have become a permanent feature of the medical market. By continuously developing telemedicine, the health service pursues online access to medical care, remote work or education notwithstanding.

**New technologies** have enabled insurers to continue operations during individual lockdowns, and have set new standards for remote customer service. Further transfer of clients from traditional to remote channels can be expected. The change in customer habits which, under normal circumstances, would have taken several years, was a consequence of the lockdowns, which forced the transition to remote work. These factors accelerated the digitization and the use of advanced technologies, especially in the insurance sector. Just like remote or hybrid work models, remote sales, inspections or claims handling have spread fast. At the same time, it is also more common to apply solutions based on artificial intelligence, which are implemented in more and more business areas. The year 2023 will see adaptation of technology and further investment in technology both in the insurance industry and the banking sector.

The development of new technologies entails several challenges that insurers and financial institutions will have to face in the near future.

One of them is to effectively manage the solutions implemented rapidly at the onset of the pandemic. Three years have passed since the first news about the emergence of the coronavirus in Poland, and although many of the introduced solutions were long-awaited by customers, it is extremely important to skillfully assess their further usefulness, scale and improve the introduced technologies, as well as adjust them to the long-term strategies of insurance companies. As customer preferences are changing dynamically, it is becoming extremely important to balance service processes in such a way that the human factor is retained where it is necessary and expected by customers, and


the part of the processes that will not cause a deterioration of service quality is automated.

Another challenge is the **supply of skilled workers** with expertise and skills in areas related to cybersecurity, artificial intelligence, machine learning and data analytics. The rapid growth of these fields has resulted in an increased demand for employees who can assist companies in leveraging their technological potential. The risk associated with the shortage of employees with appropriate skills in new technologies is one of the main problems associated with the implementation of technological advances.

Technological progress has also led to the emergence of so-called **insurtechs and fintechs**<sup>39</sup>, which are already influencing and will continue to influence the transformation of the insurance and banking industries over the long term.

Recently, one of the more popular trends in the financial industry is **Embedded Finance**. It involves the integration of various financial products such as loans, insurance, debit cards and investments, with almost any non-financial product. In other words, this involves providing financial services in a sector where the core operations are not of this nature. The particular growth of Embedded Finance could be observed especially during the pandemic, as the majority of financial process turned online.

Ongoing digitization, development of the Internet and cloud solutions led to a new challenge for the insurance market – **cyberthreats**. Cybersecurity risk is currently one of the fastest growing among all risks within the insurance gap, and insurance products cover only a small share of risks related to cyberthreats. With ever-greater awareness among entrepreneurs, one should expect an ever-faster development of a comprehensive cyber insurance offer, not only for large corporations but also for small and medium enterprises.

 The PZU Group's business and results are also increasingly affected by factors related to **climate change**. Natural catastrophes such as fires, storms, hail, flash floods, cyclones, tornadoes, and heat waves, which have been on the rise over the past few decades, have contributed to increasing the loss ratios in the

<sup>39</sup>) Fintech – sector of economy encompassing companies operating in the financial and technological industries. Fintech companies most often provide financial services using the Internet. It is also a term for all types of technological or financial innovations. Insurtech is one of the areas of the fintech industry encompassing new technological solutions in insurance.

property insurance sector. The increasing number of claims is weighing on the performance of insurers and reinsurers across the globe, focusing increasing attention on the issue of climate change. Current underwriting methods are based on past events and do not capture well the nature of the dynamic global climate changes. The complex nature of climate risk presents insurers with the challenge of developing new insurance products which will adequately reflect the frequency of catastrophic events and translate into the premium levels. The risk of climate change not only affects the costs involved in claims paid or reinsurance schemes, but also the capital requirements for insurance companies.

At the same time, insurers and financial institutions are increasingly expected to take responsibility for delivering a just **transition to a low-emission economy**. This influences the development of "green" insurance and loan offerings for, among others, large corporations and smaller businesses, supporting sustainable development. At the same time, financial institutions, including insurers and banks, should increasingly incorporate responsible investment principles taking into account ESG factors into their investment activities. This is determined not only by regulatory issues, but also by society's changing expectations of financial institutions and corporations - customers want large companies to take a proactive stance in the fight for a better planet.

The general interest in mitigating the impact of climate change opened the path for insurance companies and banks to insure and finance **investments in renewable energy sources**, such as onshore and offshore wind parks, biogas plants, and photovoltaic systems. This generates new challenges in developing adequate offerings ensuring financing and insurance from the moment works commence, through construction, to completion and start-up.

Customers themselves are also increasingly opting for eco-friendly solutions that contribute to combating climate change. The quest for convenience and the increasing environmental awareness result in a rapid development of the shared mobility industry. City dwellers increasingly frequently choose means of transport which allow them to quickly and efficiently move around and change the means of transport depending on the situation on the road - this is the so-called shared mobility. This global trend includes not only cars but also scooters, segways, skymasters and electric unicycles, rented via smartphone apps. Insurers' offerings will meet customer expectations and include products dedicated to shared mobility.

Similarly, other global trends, such as the sharing economy or the Internet of Things (IoT), and trends in the insurance industry, such as open group insurance and building thematic ecosystems for customers, will influence the direction of insurers' business models and their product offerings.

The factors which might have an impact on the activities of the PZU Group in 2023 have been described in detail, by operational segments in [CH3. BUSINESS](#)



# 3.

## Business

3.1. Business model

3.2. Insurance

3.3. Medical care

3.4. Investments

3.5. Banking

3.6. Other areas

We are strengthening our position as the financial services leader. The PZU Group's brand spans insurance, medical products and services, investment funds, pension funds as well as banking products.

3. Business

3.1. Business model

Conglomerate

The PZU Group is a conglomerate comprised of insurance, financial and healthcare companies. It is headed by PZU, which, as a parent company, acts as a competence center setting standards of operation for the other entities. Among others, it defines the guidelines for capital security, risk management or internal control systems, building common solutions based on them. Of particular importance for the insurance segment is the cooperation between PZU and PZU Życie, which operate with shared structures, especially in terms of strategic management and risk, as well as operational support.

Insurance is the core business of the PZU Group. It is on this issue that the business model is centered, utilizing effective sales channels and efficient claims handling. The PZU Group offers insurance in Poland, Lithuania and Ukraine (life and non-life insurance), as well as in Latvia and Estonia (non-life insurance). In Poland, the PZU Group provides a comprehensive product offer in life and non-life insurance for 16 million clients. They are retail clients, sole proprietors, small and medium enterprises and large corporates. The insurance offer is supplemented by comprehensive medical and investment services.

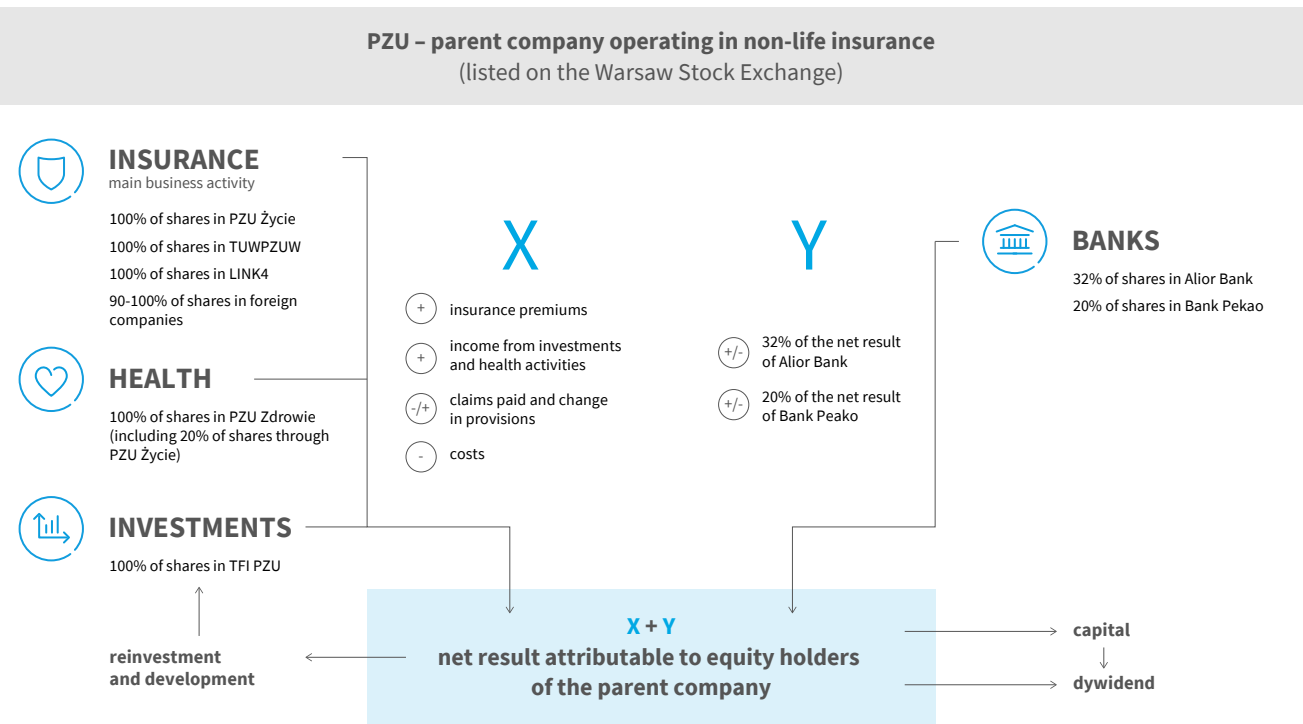
The core PZU Group companies include:

- **PZU, PZU Życie, TUW PZUW, LINK4** – insurance in Poland;
- **Lietuvos Draudimas** (Lithuania), **AAS Balta** (Latvia) – insurance abroad;
- **TFI PZU** – investments;
- **PZU Zdrowie** – medical care;
- **Bank Pekao, Alior Bank** – banking.

Operating model and value

Insurance is the PZU Group’s core business. It is the basis for comprehensive product offerings focused on broadly defined safety and security. Non-insurance business supports the sales of the primary insurance offer and boosts client loyalty. Banking operations play a unique role in the PZU Group’s value chain. The parent entity in the PZU Group, i.e., PZU, holds shares allowing it to exercise control over two banks, Alior Bank and Bank Pekao. From the business perspective, this ensures effective cooperation in mutually supporting sales of insurance and banking products. From the shareholders’ perspective, the banks contribute to the net profit, which may be distributed as dividends in accordance with the PZU Group’s capital and dividend policy.

PZU Group – simplified presentation of the business model



3.2. Insurance

3.2.1. Description of the insurance markets on which PZU Group companies operate

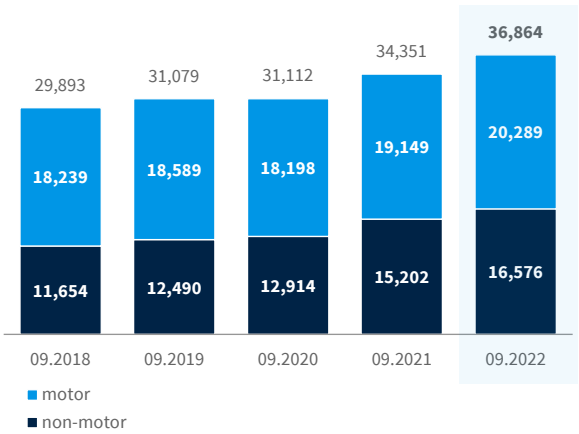


Non-life insurance market in Poland

Measured by gross written premium in the first three quarters of 2022, the non-life insurance market in Poland grew by a total of PLN 2.5 billion (+7.3%) in comparison to the corresponding period of the previous year.

Total written premium on direct business grew by PLN 2.7 billion (+8.4% y/y), and the premium on indirect business fell by PLN 0.2 billion (-5.9% y/y).

Gross written premium of non-life insurers in Poland (in PLN million)

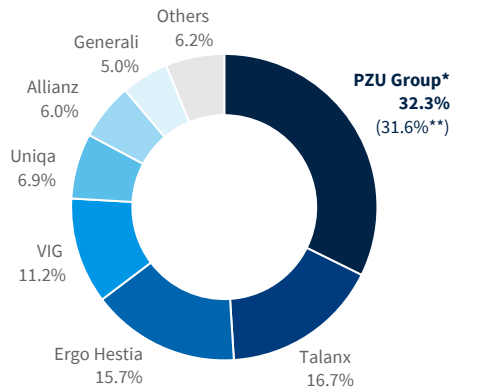


Source: The Quarterly Bulletin of the Polish Financial Supervision Authority ([www.knf.gov.pl](http://www.knf.gov.pl)). Rynek ubezpieczeń [Insurance market] 3/2022, Rynek ubezpieczeń 3/2021, Rynek ubezpieczeń 3/2020, Rynek ubezpieczeń 3/2019, Rynek ubezpieczeń 3/2018, Rynek ubezpieczeń 3/2017

The market growth was attributable to the increase in gross written premium in non-motor insurance (by PLN 1.4 billion, +9.0% y/y), and motor insurance (by PLN 1.1 billion, +6.0% y/y). It was the dynamic rise in MOD insurance (PLN 1.0 billion, +14.3% y/y) that almost single-handedly led to the higher written premium in motor insurance. The increase in gross written premium on motor TPL insurance, which is the most important category for the market overall (PLN 12.2 billion, representing 33.0% of the overall premium in non-life insurance after the first three quarters of 2022), was considerably lower, at just PLN +0.1 million y/y (+1.0% y/y).

In non-motor insurance, the increase in gross written premium was mostly the result of higher sales of insurance against fire and other damage to property (up PLN 1.1 billion, or 14.6% y/y, of which PLN 0.3 million was for indirect business), general TPL (up PLN 277 million, 13.0% y/y) and assistance products (up PLN 228 million, 19.3% y/y). There was a decline in accident and illness insurance (down PLN 365 million, -14.9% y/y), insurance against various financial risks (down PLN 54.3 million, -5.3% y/y), and legal assistance products (down PLN 2.4 million, -3.9% y/y).

Non-life insurers – percentage of gross written premium in the first three quarters of 2022 (in %)



Groups: Allianz – Allianz, Euler Hermes, Aviva, Santander Aviva TU S.A.; Ergo Hestia – Ergo Hestia; Talanx – Warta, Europa; VIG – Compensa, Inter-Risk, Wiener, TUW TUW; Generali Group - Generali

Source: KNF’s Quarterly Bulletin. Rynek ubezpieczeń [Insurance Market] 3/2022

- \* PZU Group – PZU, LINK4, TUW PZUW
- \*\* PZU Group’s market share in non-life insurance on direct business

In the first three quarters of 2022, the overall non-life insurance market generated a net result of PLN 2,232 million, which is PLN 1,619 million less in comparison with the corresponding period of 2021. Excluding the dividend from PZU Życie, the net profit of the non-life insurance market decreased by PLN 952 million (- 36.1% y/y).

After the first three quarters of 2022, the technical result of the non-life insurance market fell by PLN 161 million to PLN 2,124 million. This was driven mainly by a worse technical result in motor TPL insurance by PLN 470 million (effect of an increase in claims ratio on the portfolio) and in accident and illness insurance by PLN 20 million, while the result on motor own damage insurance increased by PLN 290 million and on insurance against fire and other damage to property increased by PLN 63 million y/y.





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Non-life insurance – Gross written premium vs technical result (in PLN million)

Gross written premium vs technical result	1 January – 30 September 2021			1 January – 30 September 2022		
	PZU*	Market	Market excl. PZU	PZU*	Market	Market excl. PZU
Written premium	10,969	34,351	23,382	11,903	36,864	24,961
Technical result	957	2,285	1,328	1,060	2,124	1,064

\*) incl. LINK4 and TUV PZUW

Source: The Quarterly Bulletin of the Polish Financial Supervision Authority ([www.knf.gov.pl](http://www.knf.gov.pl)). Rynek ubezpieczeń 3/2022, PZU figures

After three quarters of 2022, the PZU Group had a 32.3% share in the non-life insurance market (31.6% on direct sales) compared with 31.9% in the corresponding period of 2021 (31.6% from direct business), entailing a 0.4 p.p. increase with high portfolio profitability maintained.

After the first three quarters of 2022, the PZU Group’s technical result (PZU together with LINK4 and TUV PZUW) stated as a percentage of the overall market’s technical result was 49.9% (the PZU Group’s technical result was PLN 1,060 million while the overall market’s technical result was PLN 2,124 million).

The total value of the investments made by non-life insurers at the end of Q3 2022 (net of the investments made by subordinated entities) was PLN 69,584 million, down 1.4% compared to the end of 2021.

Non-life insurers estimated their net technical provisions at an aggregate amount of PLN 65,696 million, signifying a 5.0% growth compared to the end of 2021.

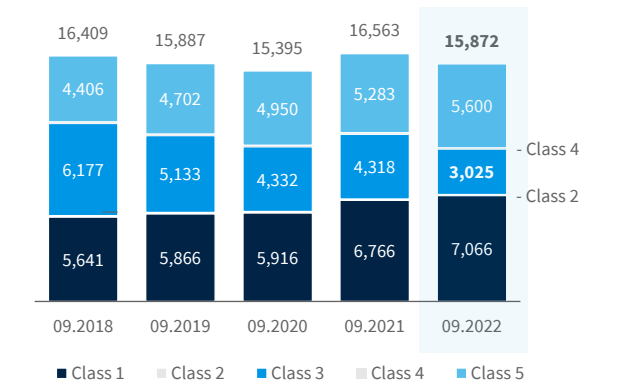
Life insurance market in Poland

After three quarters of 2022, the life insurance market in Poland, measured by gross written premium, was estimated at PLN 15,872 million, meaning that over the most recent five years it contracted on average by 0.8% per annum, mainly due to changes in single premiums in investment products. At the same time, the premiums collected during the three quarters were 4.2% lower than those in the corresponding period of 2021, driven by a decrease in single premiums. Gross written premium in periodic premium products has increased both in life insurance (class I) and in accident and illness insurance (class V).

Lower written premium from single-premium products mostly concerned investment products (down PLN 1,133 million,

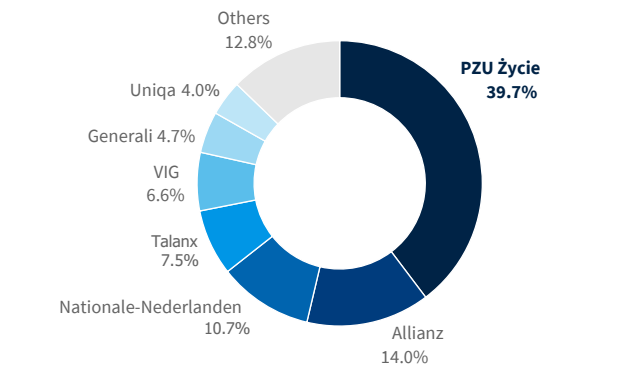
-75.8% y/y), this being caused by changes in the equity market as well as the legal and macroeconomic environment. What had the largest impact on the increasingly lower interest in investment products in previous years was the low interest rates and the tax on short-term endowment insurance products with fixed or index-based rates of return, which was introduced in 2015; this caused them to be gradually withdrawn from offer (mainly the fixed-rate products). In subsequent years, the guidelines of the regulatory authority, including those on the level of fees charged to clients of unit-linked products, as well as EU directives regulating the market for unit-linked products and their distribution led to a limitation in offering these types of products. Following the sudden fall in sales in 2018, up until the second half of 2020, we have been observing a gradual comeback to single premium volumes; however, another slump came in Q1 2022, mostly in products offered in cooperation with the banks; this

Gross written premium of non-life insurers in Poland (in PLN million)



Source: KNF’s Quarterly Bulletin. Rynek ubezpieczeń 3/2022, Rynek ubezpieczeń 3/2021, Rynek ubezpieczeń 3/2020, Rynek ubezpieczeń 3/2019, Rynek ubezpieczeń 3/2018

Life insurers – percentage of periodic gross written premium in Q1-Q3 2022 (%)



Groups: Talanx – Warta, Europa, Open Life; VIG – Compensa, Vienna Life; Grupa Allianz – Santander Allianz TU na ŻYCIE, Aviva TUnŻ, TU Allianz Życie Polska;

Source: KNF’s Quarterly Bulletin. Rynek ubezpieczeń [Insurance Market] 3/2022

was largely caused by the entry into force on 1 January 2022 of the Recommendations of the Polish Financial Supervision Authority of July 2021 prohibiting the marketing, distribution, and sales of insurance-based investment products if linked to an insurance fund satisfying any criterion indicated by the Polish Financial Supervision Authority (on client profitability or investment policy).

The outcome of these market changes was the expanding significance of periodic premium that constitutes PZU Życie’s competitive edge on the market. During the three quarters of 2022, premium with this payment form was 3.2% higher

compared to the same period in 2021, with a cumulative average growth rate of 3.0% for the last five years. Despite the declining periodic premium in unit-linked life insurance (by PLN 160 million y/y), the premium on protection products in classes I and V increased (by PLN 594 million y/y) in both group and individually purchased insurance.

At the same time, market concentration measured by the periodic gross written premium remained high. During the last year, the order of the five largest market players has not changed, and their combined market share was 77.7%.

The total technical result generated by life insurance companies in Q1-Q3 2022 amounted to PLN 1,976 million, i.e., was PLN 73 million higher (+3.9% y/y) than in the corresponding period of 2021. Growth was observed both in life insurance (class I), as well as in annuity insurance (class IV) and marriage and child maintenance insurance (class II). The increase by PLN 257 million in the technical result for life insurance, mostly due to lower claims and benefits resulting from a lower number of deaths, was of particular importance.

In this same period, life insurers generated a net result of PLN 1,600 million, up by PLN 113 million, 7.6% y/y. This was the effect of the technical result being higher than in the corresponding period of 2021.

The total value of the investments made by life insurance companies at the end of Q3 2022 was PLN 39,314 million, signifying a 0.9% fall compared to the end of 2021. The low investment performance of the funds brought about a decline in the net asset value of life insurance in which the policyholders bear the investment risk (down 23.2% to PLN 35,979 million).

During Q1-Q3 2022, PZU Życie wrote 39.7% of the gross written premium of all life insurers on the market, signifying

Life insurance – Gross written premium vs technical result (in PLN million)

Life insurance – Gross written premium vs technical result	1 January – 30 September 2021			1 January – 30 September 2022		
	PZU Życie	Market	Market excl. PZU Życie	PZU Życie	Market	Market excl. PZU Życie
Written premium	6,654	16,563	9,909	6,306	15,872	9,566
Technical result	816	1,903	1,087	801	1,976	1,175
Profitability	12.3%	11.5%	11.0%	12.7%	12.4%	12.3%

Source: The Polish Financial Supervision Authority ([www.knf.gov.pl](http://www.knf.gov.pl)). Quarterly Bulletin Rynek ubezpieczeń III/2022, PZU Życie figures



### 3. Business

a decrease versus the last year’s market share (by 0.4 p.p.), mostly as a consequence of the falling share that PZU Życie enjoys in the single premium market.

At the same time, PZU Życie continued to be the leader in the periodic premium segment. In the first three quarters of 2022, it generated 43.0% of these types of premiums, signifying a small decrease (by 0.9 p.p.) in the market share in this segment as compared to the previous year. The growth rate of gross written premium at PZU Życie in this segment was 101.0% y/y, while the other market players posted a 105.0% growth rate. There was a rise in accident and illness insurance (class V), as well as in life insurance (class I) – both at PZU Życie and other market players.

PZU Życie’s share in just the life insurance segment (class I) for periodic premiums at the end of Q3 2022 was 52.6% when measured by gross written premium, and 54.8% when measured by the number of contracts in force. PZU Życie’s market share in terms of the method of entering into a contract just in the life insurance segment was 61.1% for contracts executed in group form and 35.9% for individual contracts (measured by gross written premium).

PZU Życie’s technical result represented close to 41% of the result earned by all life insurance companies. This evidences the high profitability these products enjoy. PZU Życie’s technical result margin on gross written premium was higher than the overall margin generated by other companies offering life insurance (12.7% versus 12.3%).

#### Insurance markets in the Baltic States and Ukraine

##### Lithuania

The Bank of Lithuania has stated that in the of 2022 the gross written premium in non-life insurance amounted to EUR 894 million, up 24.1% in relation to the corresponding period in 2021.

Motor insurance remains the most significant insurance class on the market (representing 54.9% of all gross premiums written in non-life insurance). Market growth occurred mostly in motor TPL insurance, which constitutes almost one-third of the whole non-life insurance market (31.9%). Within motor insurance, gross written premium on TPL insurance grew by 21.7% y/y, whereas sales of MOD - by 22.0% y/y. Significant market growth was also observed in property and health insurance (24.5% y/y and 38.5% y/y, respectively).

As at the end of December 2022, there were 11 companies operating in the non-life insurance sector, including 7 branches of insurance companies registered in other EU member states.

The combined market share of the top four players in the non-life insurance market totaled 82.3%.

The PZU Group has been present in Lithuania since 2002. As of November 2014, it has been conducting its activity on the non-life insurance market as Lietuvos Draudimas, which, as of May 2015, is also the owner of the PZU branch in Estonia.

Lietuvos Draudimas is the leader of the non-life insurance market in Lithuania. Its 2022 market share was 29.9%. Lietuvos Draudimas posted an increase in gross written premium by 24.8% y/y to EUR 267 million. The biggest growth was achieved in motor TPL insurance (up EUR 18 million), MOD motor insurance (up EUR 14 million), and property insurance (up EUR 13 million).

Gross premiums written by Lithuanian life insurance companies in 2022 amounted to EUR 340 million, up 6.4% relative to 2021. Sales of regular-premium insurance increased by 7.8% y/y, mainly due to higher volumes of new sales. Sales of single-premium insurance products decreased by 11.8% y/y (i.e. by EUR 2.5 million).

In the life insurance structure, unit-linked insurance represented the largest share at 69.6% of the portfolio value. Traditional life insurance accounted for 10.4% of written premium.

New sales increased by 9.1%. The growth rate with respect to new sales was adversely affected by the war in Ukraine. Unit-linked products remain the core product on the market, making up 81.2% of new sales. Traditional life insurance accounted for just 0.6% of new sales.

As at the end of 2022, eight companies operated on the Lithuanian life insurance market. The said market is highly concentrated – in 2022, the share held by the three largest life insurance companies in total gross written premium was 62.5%.

Swedbank was the largest life insurance company in Lithuania in terms of total gross written premium, with a 22.0% market share. The next players are Compensa (21.8% market share) and Aviva (18.8% market share).

PZU Group’s life insurance operations in Lithuania are conducted through UAB PZU Lietuva Gyvybės Draudimas (PZU Lithuania Life). The gross written premium posted by PZU Lithuania Life was EUR 22 million, up 7.4% from 2021. This corresponds to a market share of 6.5%.

##### Latvia

On the Latvian non-life insurance market, as at the end of 2022, gross written premium was EUR 493million. This is EUR 91 million (i.e., 22.7%) more than in the corresponding period of the previous year.

The biggest growth was achieved in motor TPL insurance (up EUR 29 million, i.e., 36.3%), and MOD insurance (up EUR 22 million, i.e., 24.5%). Significant growth was also observed in health insurance and property insurance – EUR 20 million (+25.7% y/y) and EUR 13 million (+13.2% y/y), respectively.

Motor insurance is the most important insurance class. TPL and MOD insurance accounted for 22.0% and 23.1%, respectively, of the entire non-life insurance market in terms of gross written premium. Health insurance (19.5% of the premium) and property insurance (22.6% of gross written premium) also had an important position in the product mix.

As at the end of 2022, there were 10 insurance companies operating on the Latvian non-life insurance market; the top five insurers held 80.0% of the market.

In June 2014, the PZU Group was joined in Latvia by AAS Balta, which in May 2015 took over the PZU Lithuania branch operating in the Latvian market since 2012.

AAS BALTA is the largest insurer in terms of premiums written in Latvia. At the end of 2022, the share of AAS BALTA in the non-life insurance market was 29.3%.

In 2022, the gross premium written by AAS Balta reached EUR 145 million, up 24.6% (EUR 29 million) relative to 2021. Greatest growth was observed in motor insurance and health insurance.

##### Estonia

In 2022, gross written premium in non-life insurance amounted to EUR 471 million, up 18% in relation to the corresponding period of 2021.

The market growth was mostly attributable to MOD insurance with respect to which a 21.1% y/y increase was posted (i.e., up EUR 27 million), and TPL insurance (+19.7% y/y, i.e., up EUR 17 million), resulting from the growing prices driven by inflation. Dynamic growth was also enjoyed in health insurance (up EUR 5 million, i.e., +76.5% y/y) and property insurance (up EUR 19 million, i.e., + 16.8 % y/y).

The sales structure of non-life insurance did not change significantly in 2022: it was dominated by motor insurance, which accounted for 54.5% of gross written premium, with property insurance accounting for 28.4% of gross written premium.

As at the end of December 2022, there were 13 companies operating in the non-life insurance sector (including five branches of foreign insurance companies) among which the top four held a combined market share of 67.3%.

Since May 2015, the PZU Group’s operations in Estonia have been conducted by the Lietuvos Draudimas branch, established through the merger of a branch of PZU’s Lithuanian subsidiary and the Estonia branch, which had operated under the Codan brand.

The PZU Group’s share in the Estonian non-life insurance market reached 15.1% in 2022, and the accumulated gross written premium was EUR 71 million, up 22.3% (i.e., EUR 13 million) relative to 2021.

Greatest growth was observed in motor TPL and MOD insurance, as well as property insurance.

##### Ukraine

In the end of June 2021, supervision over the insurance market in Ukraine was taken over by the National Bank of Ukraine (NBU). NBU made supervision more efficient by monitoring compliance with applicable regulations and applying appropriate measures against the violators.

Since March 2022, NBU has been regulating the activities of parties to non-banking financial services during martial law, and among other things amended the terms of enforcement (postponed deadlines). In relation to Russia’s aggression in Ukraine, NBU specified the manner in which a series of normative and legal acts should be implemented to relieve market players of that burden, and also implemented a series of restrictions to minimize new risks arising due to the war. NBU temporarily made it impossible to perform foreign currency cross-border transfers, and this disturbed the process of providing reinsurance services and caused some players to withdraw from the Ukrainian market. This meant having to look for alternative solutions and reduce activity in some business lines and selected sales channels, such as international insurance.

After the first three quarters of 2022, the Ukrainian insurance market, measured by gross written premium, shrunk by 24.9% up to UAH 28.6 billion.

The premium accumulated in non-life insurance was UAH 25.1 billion, signifying 25.9% fall compared to the corresponding period in 2021.

The negative rate in most types of insurance is related to the outbreak of hostilities within the Ukrainian territory. In 2022, the economic activity of retail and corporate clients alike significantly worsened. The poorer economic situation faced



### 3. Business

by the society is an effect of growing unemployment and, as a consequence, of the closing or limiting the business of certain entrepreneurs. Due to the war, many clients have left abroad or are within temporarily occupied territories, which is why a large number of them decided not to extend their insurance cover.

In 2022, the Green Card insurance had a significant impact on non-life insurance sales, it being the only one to enjoy a growth rate because of people who were leaving abroad and taking out those policies en masse (+1.1% y/y, up UAH 1.5 billion).

As at the end of September 2022, insurance companies offering life insurance collected a gross written premium of UAH 3.5 billion, signifying a 16.9% decline compared to the corresponding period of the previous year.

The Ukrainian insurance market is highly fragmented. As at the end of September 2022, there were 139 insurance companies operating in the country, 126 of which offered non-life insurance. Despite the large number of insurers, the top 10 non-life insurers generated 56.1% of gross written premium.

On the Ukrainian market, the PZU Group operates the insurance business via two companies: PrJSC IC PZU Ukraine (PZU Ukraine) in non-life insurance, and PrJSC IC PZU Ukraine Life (PZU Ukraine Life) in life insurance. In addition, LLC SOS Services Ukraine offers assistance services.

In 2022, gross written premium collected by PZU Ukraine amounted to UAH 1,287 million, or 26.3% less than in the previous year. Sales decline was recorded in all business lines, with the most significant ones in property, accident and motor insurance. In 2022, gross written premium collected by PZU Ukraine Life was UAH 398 million, down 37.4% from 2021.

During three quarters of 2022, PZU Ukraine attracted 3.7% of the gross written premium on the Ukrainian non-life insurance sector, and its market share went down by 0.1 p.p. versus Q3 2021. This ranked the company ninth on the non-life insurance market. PZU Ukraine Life ranked fifth in the life insurance market with a 8.4% market share (down 0.2 p.p. relative to the previous year)<sup>1</sup>.

1) Insurance TOP, Ukrainian Insurance Quarterly, #7(83)2022

#### 3.2.2. Activity and product offering of PZU Group's insurance companies



PZU Group offers non-life insurance in Poland under three brands: PZU, the traditional and most well-known brand; LINK4, associated with direct sales channels; and TUW PZUW, i.e., the mutual insurance company. Life insurance is sold in Poland under the PZU Życie brand. Outside of Poland, the PZU Group sells insurance products under the PZU brand (in Ukraine), as Lietuvos Draudimas (in Lithuania and Estonia) and as Balta (in Latvia).

To address expectations voiced by clients, the PZU Group has been consistently extending its offering in recent years for both retail and corporate clients. As a result, it has been able to retain its high market share.

##### Activity and product offering - PZU



As the PZU Group's parent company, PZU offers an extensive array of non-life insurance products, including motor, property, casualty, agricultural and third-party liability insurance. At year-end 2022, just like in previous years, motor insurance was the most important group of products offered by PZU, both in terms of the number of insurance contracts and its premium stated as a share in total gross written premium.

Faced with changing market conditions, PZU realigned its offering in 2022 to the clients' needs and expectations by rolling out new products and innovative solutions.

In the **mass insurance** segment, PZU:

- updated the scope of **PZU AUTO Assistance**, a unique benefit within the **Super** variant. The benefit involves verifying the technical condition of the vehicle before it was purchased, in the event that the vehicle of the Insured is damaged in an accident and they decide to buy another vehicle. Additionally, the **Super Truck** variant now features the service of towing a trailer or semi-trailer where the towing vehicle is involved in an accident, malfunctions, or is stolen;
- extended the scope of PZU Auto by adding a **PZU Auto Tyres** insurance within simple products, which had so far been offered separately;
- consolidated the rules of valuing partial and total claims in line with the **MOD insurance** variant opted for at the time the contract was concluded. The costs of repair served to determine whether the car was totaled will be calculated based on the option selected by the client when they chose either the 'optimum', 'maintenance service' or 'partnership'

- variant. The change, agreed upon with the Insurance Ombudsman, aims at minimizing the risk that the client wrongly interprets the terms of insurance;
- extended the scope of insurance cover at **PZU Wojażer**, by superseding the clause that had been applicable so far and adding benefits related to the COVID-19 epidemic. The benefit includes the reimbursement of full board costs by the organization and the costs required for the client to return to their country of residence (if the insured is unable to use their connection planned originally), reimbursement of package tour costs if the insured is unable to take part (due to them or their trip partner suddenly coming down with COVID-19 or being quarantined or isolated);
  - introduced a new product, **PZU Bezpieczne Lokum**, for housing associations and co-operatives addressed to clients within the housing sector defined at the stage of offering, e.g., residents of a given housing association. The product covers private property insurance against all risks, which involves insurance cover against many events which may occur within an apartment (events excluded notwithstanding). Furthermore, the cover may include home assistance services, private third-party liability insurance, and lawyer services within legal assistance;
  - amended the GTCI of the **PZU Edukacja ADD**, which includes:
    - a) adding, among other things, the post-COVID PIMS-TS syndrome to the list of serious illnesses,
    - b) introducing an additional benefit for accidents during school trips,
    - c) raising the service limit within assistance, among other things, to PLN 2,000 for a psychologist and PLN 1,200 for private lessons;
  - went through the **integration** with the system of the Central Register of Vehicles and Drivers (**CEPIK**), thanks to which PZU may download and automatically process details concerning registered vehicles, their owners, and drivers, without writing them down from the registration document; this translates to a considerably shorter client journey and maintained competitiveness of PZU's offering;
  - made available a new template for the border insurance policy – single-page, without a reverse, no copy required, printable by client;
  - **upgraded** the offering concerning **insurance of poultry against risk of salmonella** under terms and conditions different from those offered within GTCI **PZU Zwierzęta** – poultry, based on the Regulation of the Minister of Agricultural and Rural Development of 31 March 2022. The Regulation governs premium subsidies for farmers up to 70% of the premium payable by the farmer if the insurance

contract states that the payment of amounts claimed shall occur if the value of damage arising exceeds 20% of the average annual production of animals insured from the last three or five years (expressed in PLN). The offer covers:

- a) limited risk of salmonella cover for claims with >20% deductible,
- b) additional risk of salmonella cover for claims with <20% deductible;
- c) additional risks, covering, i.a., risks of disrupted electricity supplies or ventilation device operations.

Within **corporate insurance**, most changes which PZU focused on involved making the offer more appealing for fleet clients and leasing companies, and continuously making cooperation with intermediaries more effective. Major new products included:

- the implementation of the **PZU iFlota** prevention program. The program supports risk management in fleets, using innovative software. PZU iFlota has three main modules: fleet management, insurance management, and safety management. Firstly, PZU iFlota is a classical fleet management system, offering a register of vehicles, drivers, and various costs, and allowing the handling of such matters as fuel cards or maintenance service. Secondly, there is insurance management. The system gives access to data on TPL and MOD policies and damage, as well as enables reporting and monitoring claims at app level. The third and most important element is prevention aimed at improving the safety of the fleet, thanks to, among other things, the access to e-learning sessions, knowledge databases, and suggestions of prevention activities adequate to the risks observed at a given client;
- the popularization and further development of the **Risk PRO** program, among other things through the expansion of PZU LAB Enterprise Safety Tools using smart detectors monitoring safety on an ongoing basis, e.g., monitoring the opening or closing of fire doors, registering temperature, pressure, vibration and smoke, integrated with CCTV cameras;
- the extension of **PZU Auto's** offering with a new MOD insurance cover for owners of electric cars which involves damage to chargers, including wallboxes, as well as charging cables or batteries.

In **financial insurance**, PZU supports the Polish economy by providing insurance guarantees and securing the performance of contracts in such key areas as the power sector, the construction industry and the science and innovation sector, taking into account the restrictions related to COVID-19 and



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the hostilities in Ukraine. PZU also continuously monitors and identifies risks related to the current geopolitical situation.

The most important changes to the offer in 2022 include:

- introducing amendments to periodic guarantee contract applications and insurance guarantee contract-of-mandate forms, adapting them to the clients' needs as well as to the current geopolitical situations with regard to valuation with higher transaction risk;
- updating GTCI in GAP financial loss insurance for clients of Alior Leasing and Pekao Leasing;
- continuing the cooperation with the banks in mortgage loan repayment insurance, both with PZU Group companies and external banks.

In 2022, PZU cooperated with nine banks and nine strategic partners. PZU's business partners are leaders in their respective industries and they have client bases offering the possibility of extending the PZU's offering with additional innovative products geared towards those clients. In active cooperation with PZU Group's banks, Bank Pekao and Alior Bank, PZU continues the implementation of a comprehensive offering using the banks' distribution networks.

This cooperation has allowed PZU to steadily expand the offering and scale of sales of insurance products linked to banking products, including insurance coverage for cash loans and mortgage loans as well as other insurance products. Within strategic partnership, cooperation is based primarily on energy industry companies which PZU uses as intermediaries to offer assistance services – assistance of electricians, plumbers or healthcare professionals. PZU's insurance offering is also present on the e-commerce market through cooperation with PLL LOT, iSpot, and eBilet. Examples of cooperation in bancassurance, assurbanking and strategic partnerships are described in CH. [3.2.3. DISTRIBUTION AND CUSTOMER SERVICE](#).

#### Activity and product offering - LINK4



**LINK4** is one of the most recognizable insurance companies in Poland, which **skilfully combines the strength of a corporation with the agility of a start-up**. In line with clearly defined values, such as client, respect and mastery, LINK4 has for two decades been simplifying the world of insurance. **LINK4 remains among the leaders of direct insurance products**; it extends its business by cooperating with multiagencies, banks and strategic partners. The company

offers an extensive array of non-life insurance products, including motor, property, casualty and TPL insurance.

Given the changing market situation, LINK4 has zeroed in on the development of innovative solutions providing added value to both its clients and business partners. By using new technologies in internal processes and in relations with clients, the company continues to challenge the way of thinking about insurance.

In 2022, the company automated 70 unique processes and created 12 virtual assistants supporting employees in their day-to-day duties. Technology simulates the work of human beings and allows the automation of simple mass processes; supports the pursuit of objectives related to, among other things, operational efficiency, employment cost optimization, or shorter business process time; and allows employees to develop and pursue more creative duties. The recognition enjoyed by LINK4 on the market and among its employees is its victory in the 12th edition of **"Pracodawca Godny Zaufania"** (Trusted Employer) in the Development and Digitization category. The company is also appreciated for its implementation of modern technologies which not only improve the quality of the services provided, but also support the development of employees and ensure greater comfort at work. LINK4 was yet again awarded the prestigious title of **Inwestor w Kapitał Ludzki** (Investor in Human Capital) for its exceptional above-average employee satisfaction and engagement. This is of tremendous importance, especially as the study involved yet another year of working under a hybrid formula, in a situation where, market-wise, high performance in these areas is an additional challenge. Engagement, which has been one of the core strategic objectives of the Company, was beyond expectations in 2022, and the company became one of the Economic Award laureates, receiving the first prize in the **Firma Przyjazna Klientom** (Customer-Friendly Company) category. The jury acknowledged the company and its employees for their systematic implementation of pro-client solutions.

In 2022, LINK4 focused on expanding further its current product offering, adapting to the changing expectations of its clients and business partners. The most important activities linked to modifying its product offering were the following:

- making the **Auto Assistance** offer more appealing by increasing towing service limits in assistance events in all insurance variants (by 300 km) and offering a replacement car to be rented within the framework of Auto Assistance Plus;
- introducing changes to the **Podróże** (travel insurance) offering, in particular:
  - a) simplifying the claims and benefits handling process by withdrawing provisions on determining permanent

bodily injury based on a medical opinion and an assessment of medical records or just the report interview;

- b) harmonizing the provisions (in line with motor ADD insurance) concerning the determination of bodily injury as percentage and valuing benefits for the death of an insured person,
  - c) adding a list of documents necessary to receive payment under ADD insurance for physical injury and death to the GTCI;
- simplifying the **DOM** (HOUSE) insurance offer, which includes presenting GTCI in a plain language, as well as introducing new structure and scopes, i.e., introducing a single TPL scope in private insurance instead of the two variants for property and private life that had been offered so far separately;
  - introducing the **Ochrona Zniżki** (Discount Protection) clause to motor TPL and package insurance – applicable for first claims under TPL or MOD (event under which amounts claimed were paid or are payable), regardless of the amount claimed.

#### Activity and product offering – TUV PZUW



Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych (TUV PZUW) focuses on cooperation with large enterprises, medical centers (hospitals and clinics), church entities and local government units.

It covers elastic insurance cover, adjusted in cost and scope to the needs of the insured. The mutual insurance formula helps that, allowing the negotiation of contracts without the need to launch tender proceedings. Entities insured at TUV PZUW are, under the principle of mutuality, members of the organization as well, and their number has been growing steadily throughout the recent years. Within TUV PZUW, members establish mutual benefit societies grouping entities of a similar business profile and related risk.

In 2022, TUV PZUW celebrated the establishment of a mutual benefit society for over 500 companies from the water and sewage industry. What was also promising was the establishment of the Ignacy Mościcki Mutual Benefit Society for the companies in the energy and thermal power sector within Agencja Rynku Energii.

What distinguishes and is **the market advantage of TUV PZUW** is the utmost care taken to **minimize risk and extensive assistance for the insured** in this respect, in the form of free-of-charge safety audits and prevention projects. These cover, among others, a training program for physicians and medical personnel which TUV PZUW is resuming on a wide scale after the period of restrictions related to the COVID-19 pandemic. The purpose is for physicians and medical

personnel at the insured hospitals to improve their knowledge and skills, so as to ensure the best patient care possible, as well as to prevent undesirable events and, in consequence, claims.

Another important event in 2022 for the medical environment was the first Congress on Insurance Solutions for Medical Entities, organized for the first time by TUV PZUW, dedicated to patient safety and health prevention, under the patronage of the Patient's Rights Ombudsman.

At the same time, TUV PZUW is engaged in developing new products. These include:

- an innovative solution for groups of hospitals, so-called **ubezpieczenie parasolowe** (umbrella insurance), which ensures additional insurance cover after the guarantee sum under mandatory insurance is exhausted. Hospitals within a TUV PZUW mutual benefit society may take out an insurance rider for all of them at a price relatively lower than in the case where each hospital would have to buy the policy separately;
- third-party liability insurance for managers of medical entities;
- travel insurance for church institutions;
- **"Polisa na biznes"** – business risk insurance for franchisees. It is a market-first assistance product for small enterprises whose financial safety is key in making the decision to launch a business;
- **"Siła wiatru"** ("Power of the Wind") for wind farms and **"Moc Słońca"** ("Power of the Sun") for photovoltaic installations. These policies are comprehensive property insurance against all risks, including against damage and loss of profit, as well as liability insurance associated with the operation of wind turbines and photovoltaic panels.

TUV PZUW is the largest mutual insurance company in Poland and one of the fastest growing ones worldwide, as attested to by its victory in the prestigious Stars of Insurance study organized by the editorial board of Dziennik Gazeta Prawna. TUV PZUW was ranked highest among mutual insurance companies, classified in terms of their potential and growth rate. The editorial board accounted for the scale of business, safety and profitability.

The strong position of TUV PZUW in 2022 is also evidenced by the fact that it **maintained its high rating at A- with stable outlook**, affirmed by the prestigious S&P agency. TUV PZUW is the only mutual insurance company and one of the few insurers in Poland having an international rating. An A-



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rating means low credit risk, and high financial credibility and capacity to meet commitments.

#### Activity and product offering - PZU Życie



Within the PZU Group, PZU Życie operates on the Polish life insurance market. The company offers an extensive range of life insurance products, which for management purposes are reported and analyzed broken down into the following three segments:

- group and individually continued insurance;
- individual insurance;
- investment contracts.

PZU Życie, as a popular and the largest insurer on the Polish market, continuously expands its offering by adding new products or modifying existing ones to protect its clients at each stage of their lives. The unique synergy of competences within the PZU Group (insurer, medical operator, investment manager) allows the company to comprehensively take care of life, health and savings of its clients, providing them with the broadest possible support in accordance with their expectations and needs.

The changes concern not only the product itself but also entail the modernization and simplification of the way in which insurance is offered and sold. They also enable the client to take advantage of various contact channels to reach the insurance company (e.g. in a branch, by phone, e-mail, Internet client account, person providing technical insurance services in the workplace or through an insurance intermediary, whether tied or external).

The changes incorporate the new requirements introduced by the regulatory authority and the increasing legal protection of consumers.

Activities of PZU Życie under **group, individually continued and health insurance** included:

- introducing in July 2022 a new group life insurance with riders titled **PZU Na Życie Plus (PNŻ Plus)**, which combines a comprehensive approach to the needs of employees, employers and their families. The insurance covers life, health, and access to medical services. PNŻ Plus is offered for new entities employing at least 30 people. Furthermore, the product allows the client to individually extend the basic cover with additional packages, and therefore to better adjust the cover to their individual needs;
- updating GTCI for **pension insurance** due to the position of the Polish Financial Supervision Authority on presenting

payments in unit-linked life insurance contracts. The amendment concerned **IKE PZU Życie** insurance and the continued **Pogodna Jesień** insurance;

- developing a new **medical treatment insurance** for illnesses. The new insurance, being an extension to the offering concerning the Individual Continuation of group insurance gives clients financial cover in the event of their hospital stay due to key civilization diseases;
- refreshing the group health and life insurance offering titled **Medical Cover S**, which includes updating provisions on complaints in relation to the entry into force of the Electronic Service Act, and changing documents for clients to facilitate amendments to policies, including amendments concerning premiums.

PZU Życie's efforts in the area of **individual protection insurance** and **protection and unit-linked insurance**:

- implementing changes within certain riders for life insurance, including:
  - a) increasing the maximum age for the insured person's entry and at the end of the cover, allowing selected riders to be offered to older people who had so far been unable to enjoy cover within selected riders;
  - b) modifying the provisions concerning complaints due to the amended provisions of the Electronic Service Act.
- introducing a new short-term (two or three years) endowment insurance product titled **PZU Bezpieczny Zysk** with a guaranteed payment of certain sums after the contract expires regardless of the situation on financial markets. This combines life cover and higher capital. In the event of a termination, the sum paid in the first year is equal to the premium paid, and in the event of the death of the insured, the sum insured will be received by indicated persons without the testament proceedings or inheritance and donations tax;
- Within **individual pension insurance** the most important question was to adjust the products in the current offer (individual unit-linked life insurance **IKE PZU Życie** and individual continuation of group pension insurance **Pogodna Jesień**) in line with the requirements of the position of the Polish Financial Supervision Authority on presenting fees in unit-linked life insurance contracts.

In 2022, PZU Życie actively cooperated with four banks, including PZU Group banks, delivering a comprehensive insurance offering for its clients. Cooperation with Bank Pekao and Alior Bank allows PZU Życie to gradually expand its offering and sales of insurance products linked to bank products. Examples of said cooperation are described in [3.2.3. DISTRIBUTION AND CUSTOMER SERVICE / BANK CHANNEL](#).

#### Activity and product offering - foreign companies

##### Lietuvos Draudimas

Lietuvos Draudimas is the largest and the most experienced insurer, the leader of the Lithuanian insurance market and the largest insurance company in the Baltic States. One in three residents of Lithuania choose insurance in Lietuvos Draudimas. In 2022, in addition to the current activity in non-life insurance, Lietuvos Draudimas continued to focus on pursuing sustainable development activities and expanding further its product offering, while adapting it to the changing circumstances and expectations of its clients.

Aside from business-as-usual activities and the improvement of existing products, the main activities including:

- updating the [www.ld.lt](#) website, continuing the efforts on improving the client journey at [www.ld.lt](#) with a view to making it faster and more convenient. The main purpose of the update and optimization of LD's external website is to increase sales via electronic channels (from [www.ld.lt](#) to e-commerce sites). The website update works are based on global trends and experience of experts who are taking into account the business needs of LD. In 2022, solutions concerning core insurance products (motor TPL and MOD insurance) were changed, and hypothesis put forward were tested, paying attention to information layout. The optimization of [www.ld.lt](#) is an ongoing process with works still underway (searching for other solutions to improve and reach better results);
- updating, on an ongoing basis, the GoLD Platform (sales system) - introducing further insurance product, i.a., regarding corporate assets;
- improving in SavasLD (on-line claims reporting system) the client journey in health insurance claims handling, digitizing the approval of trade agreements;
- implementing within SavasLD a B2C Health insurance product which gave private clients an opportunity to take out health insurance online directly. Health insurance was and still is LD's priority product both in 2022 and in 2023. It is a highly significant element of the company's strategy, and the company systematically works on the improvement and correction of client experience.

##### PZU Lithuania Life

In 2022, the company began a new stage of its operations, presented at a special event titled "The new beginning For Those Who Love Life." Since 31 January 2022, PZU Lithuania Life offers a new product ("For Those Who Love Life") with the broadest life cover on the market. The goal is to provide clients with consistent, comprehensive daily support and make sure that anyone can create custom whole life insurance suited to their needs and capacity.

A new version of the PZUlife sales system, dedicated to new contracts, was implemented, and the system will continue to be developed as a new assistance tool for agents for better recognition of a client's needs. It also allows remote identification for adults and children.

In November 2022, a new functionality was introduced in the PZUlife sales system, and so, "For Those Who Love Life" is also offered to business clients where the policyholder is a legal entity. This way, individual "For Those Who Love Life" offers can be used as a motivation tool for employees, promoting their loyalty and contributing to the process of building an image of an employer who bears corporate social responsibility.

Self-service in SavasLD was continually improved; users can now log-in to self-service using a SmartID and mobile signature (which had so far been possible in three banks).

##### AAS Balta

Broad assortment of products, excellent customer service and well-thought out investments in brand promotion activities allowed Balta to maintain its leading position on the Latvian non-life insurance market in terms of sales volume and significantly strengthen brand awareness and reputation.

In 2022, Balta focused on ensuring better customer service and exploiting digital opportunities.

It launched an application and an Internet solution allowing contact with road assistance, with an option to track service arrival.

An AI-based digital solution enabling clients to take pictures of insured cars was also implemented. At the same time, the solution allows verification to ensure adequate quality and provides reliable data on the date and hour the photo is taken.

Balta consistently expands its products and channels in which client payments are automatically charged from credit cards, this makes it considerably more convenient for clients.





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Lietuvos Draudimas – Estonia branch

In 2022, due to the current economic situation, PZU Estonia was regularly amending its tariffs: at least twice a month in motor insurance in the light of the extraordinarily high inflation.

March 2022 saw a new MOD insurance package for cars older than 8 years introduced in the e-shop. This offer will also be available in the regional sales channel.

At the end of December 2022, the Estonia branch finalized a contract with Luminor Bank responsible for distributing private property insurance.

It developed and tested SEB Bank's e-shop (SEB Bank e-shop). SEB Bank e-shop connects to the SEB Internet bank, thanks to which an SEB client enters PZU Estonia's e-shop via the SEB Internet bank and sees only the SEB insurance products.

In June 2022, the Estonia branch established insurance-related cooperation with AS Veho, the main Mercedes Benz dealer in Estonia.

The company's main distribution channels are its partners, SEB Bank and the Internet. In order to improve its operating efficiency, synergies and cross-selling in all direct distribution channels, at the end of 2021, the company launched the project of building its Own Sales Network. Sales were launched in the second half of 2022, and as at the end of the year, there were 5 branches in 5 different cities: Tallin, Tartu, Pärnu, Jõgeva and Kuressaare.

**PZU Ukraine**

In 2022, PZU Ukraine carried out a project and conducted analysis and studies to tidy up its product portfolio. A number of changes were made in the product range, with the key ones being:

- updating property insurance contract forms to the conditions of war (new reservations added);
- suspending the sales of several products concerning property insurance, liability, and financial risk;
- analyzing and amending terms of insurance (i.a., no option to insure objects on temporarily occupied territories or territories where war is actively waged);
- a new ADD insurance product was developed, covering passive war risks; Terms of Reference for its implementation were prepared on the EWA partner's platform;

- introducing electronic Green Card insurance sales.
- Due to the martial law and moratorium of the National Bank of Ukraine (NBU) prohibiting foreign currency cross-border payments, Gen Re refused to participate in covering Ukrainian risks under the mandatory reinsurance treaty for special (construction and agricultural) machines. Since September, reinsurance cover is provided by Polish Re and PZU. Because of NBU's ban on cross-border payments, within Agro Stop Loss reinsurance, Swiss Re refused to continue cooperation in this respect.
- Sales in partner channels using API – sales of policies via online insurance aggregators – continued to be developed in 2022.
- In October 2022, the Internet shop introduced a new Standard+ insurance program allowing electronic travel insurance contracts to be concluded with people who are abroad during the conclusion of the contract. In Q3 2022, thanks to the new program, the volume of premiums on these contracts grew by 57%.

In 2022, addressing the needs of its customers and aiming to improve customer service, PZU Ukraine held additional training sessions on customer service standards. It also launched a process of concluding contracts with customers who were staying abroad, using the mobile Object Control app.

In practice, international businesses suspended their insurance business in Ukraine. Clients have become excluded from international programs, and offered local cover.

PZU Ukraine Life

Due to the outbreak of the war in Ukraine, new sales were suspended on 1 March 2022. PZU Ukraine Life focused on handling the existing portfolio of insurance contracts and maintaining the claims handling process.

In May 2022, PZU Życie resumed its cooperation in insuring borrowers with two strategic partners – IdeaBank and Kredobank – in some loan programs (cash loans, cards). Then, in July, it resumed new sales in the agency and brokerage channels with insurance contracts featuring additional limits on risk and sums insured. Products may be sold solely in the oblasts where the war is not waged directly – West and Central Ukraine (so-called green zone).

Q4 2022 also saw the return of new insurance contracts in the corporate sales channel ("Social Cover", "Assistance", "Classic").





















































In effect, around 2,600 new insurance contracts in the agency and brokerage channels were concluded in the second half of 2022, along with over 121,000 insurance contracts within bank cooperation programs; several new corporate clients were also acquired.

The customer service at Life Contact Center underwent significant changes in 2022. Whereas in 2021, incoming calls constituted 50% of all client contacts, this was down to 33% in 2022. In turn, most reports were received via e-mail and Chatbot Life (54% in 2022 compared to 33% in 2021). At the same time, clients are eager to avail themselves of Contact Center's support, as evidenced by the considerable increase

in total reports received thereby in 2022. In 2022, the total number of reports via e-mail and Chatbot Life more than doubled compared to 2021, which underlines the significance of having electronic means of communication with the clients, especially during the martial law in Ukraine.

3.2.3. Distribution and customer service

PZU Group's sales network is organized in a manner that ensures sales effectiveness along with high-quality services. Among all the Polish insurers, PZU offers its clients the largest sales and service network. It has 409 branches across the country with 189 in small communities and tied agents, multiagencies, insurance brokers and electronic distribution channels.

Distribution network			
	 Poland		 Baltic States and Ukrainea
Percentage of the PZU Group's gross written premium	90%		10%
	Non-life insurance	Life insurance	
 Tied agents	  		 
 Multiagencies	  		
 Insurance brokers	 	   	   
 Employees		   	  
 Branches		  	
 Bancassurance and strategic partnerships		 	 
 Online / Phone			
 Car dealers			

Key:  (1%-10% of sales),  (11%-20% of sales),  (21%-30% of sales),  (31%-40% of sales)



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In 2022, the PZU Group’s distribution network included:

- **tied agents** – in Poland, the PZU’s own agency network consisted of 9.5 thousand tied agents and agencies. Sales are conducted through the agency channel predominantly in the mass client segment, particularly of motor and non-life insurance as well as individual insurance (life insurance). LINK4 cooperated with 453 agents not tied to any aggregator. In the Baltic States, the Group’s agency network comprised over 704 agents, while in Ukraine there were 392 agents;
- **multiagencies** – on the Polish insurance market, the PZU Group cooperates with more than 3.7 thousand multiagencies. They perform sales operations targeted mainly at the mass market (insurance of all types is sold through this channel, especially motor insurance and property insurance) as well as individual life insurance. LINK4 cooperated with 59 multiagencies, while in the Baltic States, Group companies cooperated with 20 multiagencies and in Ukraine with 26 multiagencies;
- **insurance brokers** – in Poland, the Group, in particular PZU’s Corporate Client Division, cooperated with over 1,000 insurance brokers. In the Baltic States, where the brokerage channel is a major insurance distribution channel, the Group companies cooperated with 459 brokers and in Ukraine with 38 brokers;
- **bancassurance and strategic partnership programs** – in 2022, as regards insurance, PZU cooperated with nine banks and nine strategic partners, PZU Życie with five banks, TUW PZUW with two banks and nine strategic partners. LINK4 cooperated with six banks within various distribution models for mostly motor insurance and five strategic partners. In the Baltic States, the cooperation included five banks and 12 strategic partners and 11 banks in the Ukraine;
- **the direct channel** – non-life insurance sales through this channel is conducted in particular by LINK4 and comprises cooperation with price comparison engines, website and call center. This channel also comprises, PZU sales hotline and the mojePZU portal.

Branches and agencies

The bulk of PZU’s clients prefer direct service by the agent and in the agent’s office.

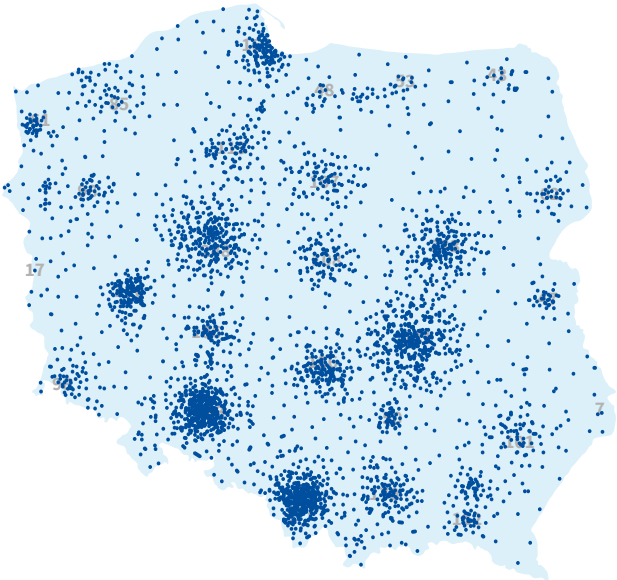
The network of 409 standardized PZU branches is evenly distributed across Poland in carefully selected locations. PZU branches are the only distribution channel ensuring comprehensive sales and aftersales service of PZU Group’s non-life, life and pension insurance and investment products in each outlet. The offering in PZU branches is targeted at individual clients as well as businesses from the small and medium-sized enterprise (SME) segment.

PZU continues to develop the professional agency sales network. Agent offices offer spacious and modern layouts and the quality of service appreciated by millions of clients. Continuous work is conducted on professionalizing the network and improving the quality of customer service, through attractive training courses and workshops. Agents actively use modern CRM and remote service systems such as mojePZU. Most agents running offices offer advice regarding the clients’ property, life and health insurance. They provide clients with comprehensive service as part of the product offering of the entire PZU Group.

PZU supports agents by developing and promoting their online presence, as clients show great interest in seeking contact with an insurance consultant using this particular channel. The [www.agentpzu.pl](http://www.agentpzu.pl), site is continuously developed together with agent websites in the agentpzu.pl domain. Support is also provided through management of Google business cards of the agency establishments and joint administration of agents’ professional Facebook profiles.

At the end of 2022, the number of the PZU’s tied agent offices was 1,432.

[Find branch and agent](#)



PZU sales hotline

Clients interested in buying insurance remotely can contact PZU via a dedicated number: 600 600 601. On the other hand, clients with active contracts are taken care of by specialists

who take care of the continuity in insurance cover, which allows to keep in touch with the client.

Thanks to modern technologies, including the integration of automation and robotics into the phone service process, the risks of spam or phishing are minimized. In 2023, an effort was launched with partner Hiya to identify the hotline number with the PZU logo. In 2022, the possibility for clients to call back a PZU consultant was introduced. In 2023, text messages announcing a call from PZU and informing of an unsuccessful attempt to contact the customer were also launched.

The hotline's product offerings in 2021 focused on vehicle, housing, travel and personal accident insurance risks. In 2022, the portfolio of products offered by telephone sales expanded to include crop insurance, among other things. This was accompanied by technological changes in the purchasing process, focused on client satisfaction. The breakthrough was the implementation of the property inspection function via the Video Inspector application. This solution meets the needs of clients interested in quickly purchasing insurance that requires vetting by a PZU employee, especially MOD insurance or unusual real property, such as a vacation home. At the same time, it safeguards the interests of PZU and prevents the risk of extortionate claims. The sales hotline is also piloting the sale of selected insurance from offerings of PZU Życie starting in 2022.

In 2022, PZU made it possible for Ukrainian customers to purchase a border liability insurance policy over the phone. For this purpose, a team of Ukrainian-speaking consultants has been established, and the already existing team dedicated to the English-speaking client has been strengthened.

Remote insurance distribution contributes to the omni-channel strategy. The client can talk to a consultant at their convenience about any insurance, including insurance previously concluded with an agent or in a branch. The development is supported by innovative AI-based tools such as Comadso (an interactive GTCI comparison engine) and Nexidia (AI that supports listening to recorded calls).

Premiums written by PZU in remote channels increased by 29.2% y/y to PLN 180.1 million in 2022. The number of clients using this form of purchase is also growing steadily. As recently as 2021, it was 229,000. In 2022, the number increased by 33% - to 303,500.

mojePZU

The launch of the mojePZU [myPZU] portal in 2018 was a way of fundamentally modifying client interactions. This is a one-of-a-kind dashboard enabling clients to check their insurance cover at any time, manage their medical coverage

and appointments as well as their investments. Through the mojePZU portal, PZU Group clients may:

- purchase a policy;
- receive an insurance offer from an Agent;
- view their policies and report changes;
- make an appointment with a physician;
- collect a referral for examination or an e-prescription;
- check their medical records;
- invest their savings;
- report a claim and check its current status.

Modern self-service offers a single location to access PZU Group’s products and services and helps in the handling of numerous matters without the need to visit a branch or contact a hotline. It is accessible from any location and at any time on personal computers and through the mobile app. At the end of 2022, the mojePZU portal was used by more than 3.3 million users.

The dashboard is still developed and enhanced with further functionalities and services, among others, in sales and renewals of insurance products (including payments), as well as claims and benefits handling in health and investment. MojePZU also features Klub PZU Pomocni, a loyalty program thanks to which clients have access to discount codes and additional benefits.

Banking channel

Distribution of insurance via the banking channel is an important element of the PZU Group’s business model. Cooperation with the banking segment forms an additional plane for PZU to build lasting client relations at every stage of their personal and professional development.

PZU’s activity is based mainly on the area of bancassurance and assurbanking in cooperation with banks from the PZU Group: Alior Bank (in PZU Group since 2015) and Bank Pekao (in PZU Group since 2017), as well as in distribution of bancassurance insurance products through banks outside the Group.

The overriding objective of the cooperation is to reach the largest number of clients using multiple distribution channels and provide insurance cover to bank clients. In the PZU Group Strategy for 2021–2024, the cooperation with banks and other non-financial partners is one of the Group’s priorities. By actively cooperating with Bank Pekao and Alior Bank, PZU continues the implementation of a comprehensive offering using the banks’ distribution networks. This cooperation has allowed PZU to steadily expand the offering and scale of its sales of insurance products linked to bank products, including



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insurance coverage for cash and mortgage loans. Over the term of the strategy, the Group plans to generate roughly PLN 3 billion in cumulative gross written premium on insurance and banking collaboration with Bank Pekao and Alior Bank.

#### Bancassurance

Within bancassurance, cooperation with Bank Pekao and Alior Bank covers the sales of the following products:

with Bank Pekao:

- insurance on mortgage loans, cash loans, personal bank accounts (RORs) and credit cards
- investment products
- travel insurance
- motor insurance

with Alior Bank:

- non-life and life insurance for cash and mortgage borrowers
- travel insurance
- ADD insurance with health package

Since January 2022, PZU Życie offers, within the sales at Bank Pekao and Alior Bank, new unit-linked products adapted to the product intervention requirements of the Polish Financial Supervision Authority. The new design of the products reduced costs to clients.

Since August 2022 Bank Pekao and Alior Bank sell a new SPE (single-premium endowment) product of PZU Życie which exploits the market potential related to high interest rates. It involves endowment insurance with a guaranteed rate of return for the client. The contract may be concluded for 2 or 3 years, and the premium is paid as a one-off premium. The product was implemented for distribution at Alior Bank and Bank Pekao. Works are being conducted to launch sales at further distributors.

In Q4 2022, PZU Życie extended its offering with individual life insurance for those who took out a housing or mortgage loan from Bank Pekao. PZU Życie solutions may be used by both those who want to take out a loan or mortgage, as well as those who are already repaying it. Insurance is purchased for 4 years, and the premium is paid monthly. Bank clients may extend cover for another 4 years after the insurance period. In the event of death, PZU Życie may repay the housing loan in full or in part at Bank Pekao, and any excess benefit payable will be paid to persons additionally insured, e.g., the close relatives of the insured. What is important, in this situation,

persons additionally insured receive excess benefits without testament proceedings or inheritance and donations tax.

Since November 2022, Bank Pekao has been offering PZU motor insurance. Bank clients who are car owners, depending on their needs, may at any branch of the bank in Poland purchase a TPL insurance and selected voluntary insurance products: MOD, ADD, Windshields, PZU AUTO Assistance, PZU Health Assistance. PZU has prepared an offer for drivers with an option to adjust cover to individual need. Since November 2022, Bank Pekao has been offering LINK4 motor insurance as well. An advisor may present the insurance offers of both insurers. Offers are compared within one process, leading to the selection of predefined packages or offer personalization.

In 2022, PZU also established strategic cooperation with Bank Ochrony Środowiska. The first product added to the bank's offer was insurance for photovoltaic installations and other RES devices linked with the bank's flagship environmentally-friendly loans.

#### Assurbanking

PZU is one of the largest external partners of Bank Pekao in the sales of personal bank accounts (RORs) via the bank's Pekao360 app. Cooperation in 2022 involved:

- continuing end-to-end sales in the remote channel with two available banking products: Konto Przekorzystne and Konto Przekorzystne Biznes;
- introducing a new offer and raising the bonus from PLN 200 to PLN 300 under the joint campaign "Auto z Kontem", within which a client receives a 10% TPL discount;
- growing sales of Konto Przekorzystne onto subsequent Partner Branches and launching a pilot group of Regular Branches;
- launching sales of a new product - Konto Przekorzystne Biznes - and growing the sales of Konto Przekorzystne with PZU Życie products at PZU branches;
- continuing the pilot sales of two banking products within the Tied Agent network – Konto Przekorzystne within the "Auto z Kontem" special offer and cash loan (for implementation in 2023).

Since 2019, together with Alior Bank, PZU has been developing the Cash Portal, an innovative loan platform with a unique product offering for employees. In 2022, the portal was made available to further groups of clients, including new corporates, reaching a total of 900 thousand retail clients who

can access the Cash platform. Furthermore, Bank Pekao's products were added to the portfolio of products offered, i.e., Kredyt Hipoteczny and Konto Przekorzystne. Thanks to the cooperation with PZU Zdrowie, companies which gave their employees access to the platform are able to give them a discount on medical packages as well. PZU Cash, together with PZU Zdrowie and Alior Bank, have prepared a special offering of an instalment loan for dentist services and financing of orthopedics services at Gamma clinics. PZU Cash is also proud to have created its first own product. The MiniCash cash loan acts like an advance on the monthly income, and allows employees to cover smaller, unexpected expenses.

The Cash project is a good example of synergy and leveraging the strengths of the two companies in the PZU Group, implementation of an innovative business model and the following of market trends – in this case the trends pertaining to financial well-being. The Cash Portal also follows the development of remote channels, making it possible to use financial products 100% online (economy digitization).

#### Strategic partnerships

The PZU Group strives to create an ecosystem in which the overriding objective is to manage client relations skillfully by offering clients solutions in all venues accessible to them. This contributes to intensifying activities in strategic partnerships with companies operating on the Polish market, among others, telecommunication operators, power utilities, retail chains and airlines, regarding joint offering of non-life and life insurance to the clients of such institutions.

Within the framework of its strategic partnerships, PZU offers a number of insurance contracts to the business partners' clients, including:

- electronic equipment insurance and phone insurance;
- assistance insurance guaranteeing services of professionals, e.g. electrician, plumber and consumer electronics/appliances servicing staff, who provide help in the case of a failure in the household;
- insurance of photovoltaic installations;
- travel insurance.

In 2022, PZU cooperated with several strategic partners. Those are leaders in their respective industries and they have client bases offering the possibility of extending the PZU's offering with additional innovative products geared towards those clients. For example, PZU cooperates with power sector companies to offer assistance services – assistance of an electrician, a plumber, or health assistant. PZU's insurance offering is also present on the e-commerce market through cooperation with PLL LOT and iSpot.

In 2022, PZU expanded its insurance offer by launching sales of insurance at eBilet.pl. The website's users may purchase tickets for cultural events with insurance. PZU provides cover in the case that the client cannot take part in the event for which they purchased a ticket/pass due to important and unexpected random circumstances. Events which entitle the insured to receive amounts claimed include unfortunate accidents to ticketholders or close relatives, sudden illness, loss of the ticket as a result of theft or childbirth before the planned event.

In the second half of 2022, PZU also implemented device insurance for clients who buying equipment at morele.net. The cover includes computer equipment and household devices with respect to malfunction after the warranty period expires, damage, destruction, flooding, devastation, loss as a result of theft or burglary.

#### Claims and benefits handling

Claims handling is the moment the client checks the quality of their product. Satisfying client expectations in handling claims or benefits is the key to building PZU's client relationships.















PZU Group insurance companies offer many ways in which claims or events may be reported. Traditional methods notwithstanding (phone, or personally at a branch or agent), it develops remote channels. The online website for reporting claims and benefits [zgloszenie.pzu.pl](https://zgloszenie.pzu.pl) allows the amount claimed to be automatically calculated, and foreign partners to report a claim. The website upholds its emphasis on plain communication language and was awarded the "Plain Polish Language Certificate" by the Institute of Plain Polish at the University of Wrocław. Similarly, with [moje.pzu.pl](https://moje.pzu.pl) or mojePZU app, a client may conveniently and independently report a claim and check its current status. At LINK4, claims can be reported by filling out a form at the website [link4.pl/claims/zgloszenie](https://link4.pl/claims/zgloszenie).

PZU handles claims and benefits at **competence centers** operating across the whole of Poland. This process is founded predominantly on electronic information and is not tied to the place of residence of the insured or the place of the event. The central teams handle specific types of damage, which is conducive to stricter specialization and boosts client satisfaction. These teams specialize, without limitation, in handling claims arising from property, motor or personal damage, claims reported by corporate clients, benefits, damage involving the theft of personal vehicles or claims handled as part of the direct claims handling (DCH) service. Mobile Experts in motor, property and agricultural insurance handle the technical aspect of motor, property and agricultural claims. Mobile Experts provide services anywhere in Poland, as chosen by the client.





3. Business

How to report a claim	 Poland	 Baltic States	 Ukraine
 Internet form	✓ <a href="https://zgloszenie.pzu.pl/">zgloszenie.pzu.pl/</a>	✓	
 mojePZU platform / application	✓ <a href="https://moje.pzu.pl">moje.pzu.pl</a>		
 video chat	✓ <a href="https://porozmawiaj.video.pzu.pl/video/pzu/">porozmawiaj.video.pzu.pl/video/pzu/</a>		
 phone	✓ 801 102 102 or 22 566 55 55	✓	✓
 text message	✓ with the content CLAIM to the number 4102 – we will call you back and accept your notification		
 in person in a branch	✓	✓	✓
 to an agent	✓		
 to a person handling group insurance in the company (for group life insurance)	✓		
 in a workshop belonging to the company's repair network (motor claims)	✓	✓	✓
 in a mobile office	✓		
 by e-mail, by letter, by fax	✓ e-mail na <a href="mailto:kontakt@pzu.pl">kontakt@pzu.pl</a>	✓	✓

Since 2020, due to the COVID-19 pandemic, most of the claims handling staff is offered an opportunity to work remotely, which secures the continuity of the claims and benefits handling. The hybrid working arrangements, where staff work at home and at the office on certain weekdays, is currently in force.

PZU has a **Relationship Manager** who stays in contact with the injured party for the duration of the claims or benefits handling process. That person’s assignment is not only to collect the documents needed to take care of the case, but

also to convey information to the client about the stage of handling the process.

PZU was the pioneer in **DCH (Direct Claims Handling)** on the Polish insurance market. Currently, DCH is executed in two forms: at an individual level or under the agreement worked out by Polish Chamber of Insurance (PIU). DCH is offered by entities accounting for nearly 70% of the motor TPL insurance market, as measured by gross written premium. The said agreement, which is based on a lump-sum approach, has dramatically simplified the settlement of claim payments between insurers. Thanks to DCH, the claim following an

accident is handled by the insurer from whom the TPL policy has been purchased. The insurer subsequently makes a settlement with the perpetrator’s insurer, without the client’s participation. PZU also maintained its own DCH solution previously introduced for clients injured by the persons insured in companies that are not part of the said agreement. Since 2020, LINK4 is also involved in the DCH system.

PZU cooperates with **repair shops** in the area of post-accident vehicle repairs in countries covered by the PZU Group’s insurance business. PZU has created Poland’s largest network of cooperating repair shops enabling it to control the quality and speed of service already at the claim handling stage. Every client who orders a repair in the PZU Assistance Repair Network receives a quality certificate ensuring that the repair has been performed in accordance with the highest standards.

PZU is developing its proposal to assist clients in **managing motor and property damage remains**. Clients may sell the remains via the Online Assistance platform to the highest bidder, where bidders are credible entities cooperating permanently with the administrator of the platform.

In the first half of 2022, PZU continued its customer service standard introduced in connection with the COVID-19 pandemic – **door to door** service, i.e., collection and delivery of the vehicle from and to the client. Thanks to this solution the client could have their vehicle repaired without leaving home. PZU additionally pursued the procedure of disinfecting a vehicle after repair by a Repair Network workshop before it is released to the customer. Door-to-door service and vehicle disinfection have been suspended from 1 July 2022.

In 2022, as regards personal TPL claims handling under, a series of initiatives was launched to **ensure the best support possible for those injured in accidents**. Following the identification of substantial damage or damage from which the person injured may recover through physical rehabilitation, claims are handled with emphasis put on the cooperation with the client. Solutions suggested are adapted to the specific situation in which the injured person finds themselves, such as physical rehabilitation schemes, assistance in the choice and purchase of prosthetics, assistance in the choice of treatment and place of treatment, or mental support. These types of claims are handled by dedicated Relationship Managers with high substantive and interpersonal competences. Claims are handled in a way to minimize the injured person's engagement in the claims handling process, as well as to satisfy their claims as fully as possible at the stage of claims handling.

In 2022, PZU continued pursuing an alternative way to **help customers outside of Poland** while bypassing intermediaries. PZU Pomoc organized road assistance through Polish-speaking service providers; the service was available throughout the year in selected parts of Germany and during holidays additionally in Croatia. Moreover, a new combined transport model has been developed for long-distance

international towing orders, in order to reduce their costs, and an additional partner has been engaged specializing in the provision of hotel and taxi services in the territory of the European Union.


In Poland, a service provider network for trucks has been created from scratch and a unified, attractive price list has been developed for these services. The first **Truck Assistance** policies have already been serviced.

The year 2022 saw the continued functioning of the **road assistance monitoring system**. Service providers gained access to the MASA (Assistance Network Activity Monitoring) application through which they receive orders, can take photos of the incident site, which are then automatically uploaded, and immediately get in contact with the hotline by pressing a button in the application.

**The potential and solutions of the PZU Group in claims handling are also used by LINK4**, which avails itself of car wreck sales platforms (PPO), on-site inspections, and the moto-assistance service (PZU Pomoc). Thanks to this cooperation, since 2021, LINK4 has been providing vehicle towing services for all incident participants. It provides towing across the whole country, 24/7, for all types of vehicles, including specialist vehicles and trucks. The service contributes to building and strengthening relationships with the incident participants, irrespective of whether they are LINK4 client or not.

LINK4 also uses PZU’s Repair Network for repairing vehicles. To facilitate service, it uses a tool supporting the referral of drivers to partner repair shops. A dedicated search engine, based on defined business rules, allows the choice of the optimal partner repair shop. It accounts for the client’s preferences, distance, and costs of repair. In 2022, LINK4 launched a dedicated hotline for partner repair shops. The introduction of a new communications channel facilitated and accelerated the process of considering the reports.

**New claims and benefits handling technologies**

 PZU develops new methods for determining the extent of the loss **to expedite the calculation of the amount claimed**. In non-life insurance, on top of conducting a vehicle inspection through a Mobile Motor Expert in a venue chosen by a client or in a Repair Network workshop, the quantum of the loss may be determined under:

- simplified service procedure (without conducting a vehicle inspection);
- self-service (calculation of the amount of the loss on your own);
- video inspection (via the app to determine the amount claimable) – solution which functioned until mid-2022.



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PZU supports **dealing with the entire claims handling process with the use of a smartphone**. Using a smartphone, the injured party may:

- report a claim;
- summon assistance on the roadside or from home;
- initiate the repair process in a Repair Network workshop;
- conduct a video inspection (until mid-2022) and determine the amount claimable.

PZU deals only with the final stage in the claims handling process, i.e., determining the amount claimed and disbursement.

PZU also allows **self-service** for property and ADD claims and benefits which allows the client to calculate the claims or benefits after reporting the damage. The client may accept or reject the proposed amount. In the case of ADD claims and benefits, the client personally marks the nature of their injuries on an intuitive human figure, which makes it possible to calculate the benefit amount.

In motor and property damage and in centers repairing devices damaged by a power surge, **the client may also assess on their own the claim amount**. This piece of information is then forwarded online to the Relationship Manager who executes the payment. This service allows clients to participate in the payout decision in a simple and convenient manner and reduces the waiting time for the disbursement of the benefit. Satisfaction surveys carried out among PZU clients reveal the fact that insured persons are of a very favorable opinion about this service. PZU companies in the Baltic States are rolling out similar improvements. Since 2019, automatic death benefit payments are made. The payments are approved in an automated process, which considerably speeds up the handling of those cases.

In addition, PZU introduced **robotics elements** at the stage of summarizing the claims report, sending out correspondence, making the claims decision and downloading police memos in order to speed up the payout of the amounts claimed. Robotics is used in specific claim types, e.g., motor claims, mass claims caused by weather phenomena, and handling of medical and life claims (deaths and births). Robotic solutions supporting the process of writing insurance cover for cases reported have been introduced. Additionally, in ADD claims, robotization has allowed verifying information concerning the client's report of the claim in another company (in cases where the client has consented to the exchange of information between PZU and PZU Życie) This solution ensures consistent service for various ADD reports of the same incident.

The Repair Network repair shops apply an innovative technology using **artificial intelligence algorithms** which

makes it possible to analyze the photographs documenting the damage. It can also determine the scope of the damage and classify the given part for repair or replacement. The algorithms can detect more irregularities more quickly and accurately, and confirm that all repairs are carried out in compliance with the procedures and standards adopted by PZU. In 2022, artificial intelligence analyzed over 120 thousand claims worth over PLN 1 billion.

In March 2022, PZU together with Tractable launched a Web app for Clients/Relationship Managers allowing the calculation of the amounts claimable based on photographs of the damage – **AiLik 3**. Photographs showing damaged vehicles are verified by AI-based algorithms. The tool has been developed with expert systems as its foundation. As a result, the user receives an automatically generated repair calculation which they may edit.

For non-motor claims, PZU launched the **AiHome** application in 2022. The application uses cutting-edge technology to support PZU employees in valuing household movable property, including in particular brown goods and white goods. This solution not only expedites the process of valuing the damaged household property, but also ensures that this process is uniform thanks to day-by-day price updates from leading vendors and provision of the same data to all Relationship Managers.

In 2022, PZU Mobile Experts received similar assistance. They got the **Agro Lab** tool which uses AI and space technology for quick and precise agricultural claims handling. The implementation of Agro Lab at the PZU Group reduced the time it took to analyze damage on site by around 50% and expedited the payment of amounts claimed by around 25%. The AI algorithms employed in the tool use satellite images of the area and particulars featured in the PZU database to specify the area damaged, and support the expert values in efficiently calculating the claims payable. PZU is one of the first insurers in the world to have developed a technology able to efficiently analyze damage caused by hurricanes, rain and winterkill using satellite images.

The year 2022 also saw several implementations in robotics. A new **MOD SN Robot**-based solution was introduced. This is a claims-handling robot for claims where the client is within PZU's repair network at the stage of reporting. Within this process, the robot handles the claim from the very start, notifies the repair shop to present documents, sends a letter to the client, and most of all pays out an advance on amounts claimed, and later an additional payment once the invoice is sent. The robotization of the process allowed its significant acceleration – after the cost estimate or invoice is accepted, the robot immediately prepares and approves the decision. The robot's work accounts for the life cycle of claims and situations in which they should arise in the process as a standard. For example, thanks to looping, the

robot may return to a claim despite a business exception and consider it again. The year 2022 also saw the launch of **Robot BLS TUS** which dealt with the automation of DCH TUS claims handling process. Claims are handled substantively at another insurance company. PZU receives information about claims reported. It subsequently confirms the guarantee or insurance. After the decision is issued, PZU receives the decision to be uploaded into the system. Within the robotized process, manual tasks performed so far by the Claims Handling Manager have been transferred onto the robot.

Following automation in benefit-related processes (incl. the robotization of the decision issuing process in benefits for deaths, births and hospital treatment), 2022 saw continued **RPA implementation** efforts in claims and benefits handling. Subsequent robotized processes included automatic payments of benefits for the death of the insured person, as well as technical activities during the refusal process in cases without insurance cover or where no permanent bodily injury was established.

In 2022, Relationship Managers enjoyed **robot assistance in identifying claims with subrogation potential**. The objective of the process is to identify the claim as one with subrogation potential as early in the handling process as possible. The robot runs on a specially designed control file, in which, on the basis of experience and analysis of the past few years, the so-called keywords (words that qualify and exclude a claim from the subrogation process) have been identified, which prove or may prove that there is a potential for subrogation in the claim. The robot searches for the selected keywords in 3 places, having their source in SLS (claims handling system): description of circumstances, operator's commentary and cause of damage. If the robot finds one of the keywords, it performs a series of actions in SLS:

- it flags the information status as 'potential subrogation' and 'robot subrogation' - securing control of the claim with a subrogation potential;
- it attaches to the supporting materials for the claim the so-called subrogation scenario, i.e., a form to be filled in, which is an instruction for the Relationship Manager as to what actions should be performed in the claim in order to secure subrogation claims;
- it adds instructions for the Relationship Manager to assess whether the damage selected by the robot has subrogation potential and to execute a subrogation scenario - for these actions, the Relationship Manager has 21 business days, but no longer than until the day the decision on the claim is issued.

If, on the other hand, the robot finds keywords contained in the control file that are flagged as excluding subrogation potential, then it abandons the above actions. The implemented process supporting the work of the Relationship

Manager is to increase the number of selected subrogation claims and, what is equally important, improve the issue of proper protection of subrogation claims by obtaining documents and information necessary to effectively pursue subrogation claims at the stage of handling the claim.

In 2022, LINK4 also continued efforts related to the implementation of modern solutions, the application of which facilitates the existing processes and pursues the objective of a fast and effective claims handling process which is friendly and understandable for the client.

A new **Internet Claims Status (ISS)** application was introduced, thanks to which LINK4 clients have 24/7 access to information about their claims, and the ability to track the status of the case reported, as well as to attach and download documents. Furthermore, thanks to ISS, clients are able to contact their Claims Handling Manager, report their need for a replacement car, and look for a partner repair shop in a convenient location. In 2022, the application handled certain types of motor and property claims.

In 2022, LINK4 introduced a **new application for handling ADD claims** which significantly improves the time it takes to handle a claim. With this application, clients are able to independently present the injuries they have suffered and provide necessary information and medical records.

A new **robot for handling housing claims** has been launched as well, which is responsible for sending inspection orders to subcontractors. The robots functioning at LINK4 have reduced the work time, improved efficiency significantly and allow the company to implement additional solutions to increase customer satisfaction. Among others, they support: automatic registration of motor and casualty and property claims, update of the provision amount and entry of costs of inspections carried out by third party suppliers, verification of a vehicle's claims ratio, collection of loss documentation, handling of memos from the Insurance Guarantee Fund, handling of medical opinions, verification of vehicles with MOD insurance, the process of sharing claims files, sending claims decisions; they prepare payouts in the Direct Claims Handling process, and collect the documentation of inspections from the platforms used by the company.

In 2022, LINK4 continued efforts concerning the **transformation of the claims handling process**, aimed at implementing a new system and tools supporting process automation. Efforts involved implementing modern solutions facilitating the claims handling process, including an AI-based tool to analyze the scope of damage and prepare cost estimates from photographs.



# 3. Business

## Foreign insurance companies

In 2022, foreign insurance companies continued the improvement of claims handling processes.

At Lietuvos Draudimas, the claims handling process is centralized. The main changes in 2022 were related to the implementation of automatic payment of private client claims (motor and property) via the following website: [www.savasld.lt](http://www.savasld.lt). At the end of the year, about 75% of private client claims were automatically registered.

The development of the self-service portal [www.savasld.lt](http://www.savasld.lt) has been helping to transform the claims handling process – directing clients to submit claims online, provide the necessary evidence (photos and documents), and even use remote inspections and assessment tools (especially for motor claims) to estimate and make automatic payments. All claim documents are stored in the Saperion filing system. This system provides clients with service history, damage documents, information on actions taken by liquidators, traffic history, suggested claim value and documents from relevant institutions.

In September 2022, the process was streamlined in the TIA system to automatically detect recoverability for motor third party liability insurance claims where the at-fault driver did not meet the policy conditions (regarding the driver's age or experience – according to the categories specified in the driver's license).

Private property claims are automatically registered with the TIA when submitted to the self-service portal. Online registration combined with TIA and Saperion allows more efficient handling of major incident claims (especially related to weather risks) and shortens the cycle of handling low-value claims, and optimizes the number of inspections.

ADD claims can be registered directly in the TIA application thanks to the implemented automatic registration via the following website: [www.savasld.lt](http://www.savasld.lt). The handling of travel insurance claims is outsourced in part to OPS Lithuania partner to provide round-the-clock assistance in the event of an accident abroad.

Health claims are handled through the EPS system, which connects health care providers (health institutions, pharmacies, etc.) to the TIA database. The EPS system allows clients to pay for services using a health insurance card. The network consists of more than 120 partners.

Motor claims are mainly registered automatically with TIA after they have been submitted to the self-service portal. Online registration connects to TIA, Saperion and Audatex. This allows clients to use the self-assessment tool on the self-service portal: [www.savasld.lt](http://www.savasld.lt). The tool shortens the cycle of handling low-value claims. Some business clients also have the option to automatically register claims with TIA after submitting them to the self-service portal, but most motor claims are registered at [www.ld.lt](http://www.ld.lt) or through the Contact Center.

In mid-February 2022, repair partner Carglass was given the option to use the integrated payment tool. Once the windshield is replaced or repaired, the payment data (including the repair invoice and other necessary documents) is uploaded from the Carglass system and if all the established business rules in TIA are met – a semi-automatic payment is created. The implementation has significantly shortened the claims handling process.

Since April 2022, claim liquidators have been able to use a new functionality in TIA that allows automatic payment processing once the customer confirms that they agree with the calculated benefit amount on the self-service portal: [www.savasld.lt](http://www.savasld.lt). The implementation of this functionality has increased the efficiency of the process; when all the established business rules in TIA are met, there is no need to manually enter data to make the payment.

In 2022, Balta launched a pet insurance claims application. The app is used by more than 95% of customers.

In PZU Estonia, an automated invoice confirmation and payment process has been implemented to automate the claims handling process. The incoming invoice is automatically attached to the claim in question, and the system makes the payment.

The ability to register a claim through PZU's self-service portal has also been launched, and the data is transferred directly to the claims handling system. Self-service registration of client claims ensures faster administration, which means that the claim amount is paid to the client much faster.

PZU Ukraina introduced a complete shift to remote customer service for claims in 2022, with no need to visit offices. The process of documenting and photographing damaged vehicles for simple motor TPL insurance and MOD insurance claims was simplified.

Each major property damage is reviewed by the Security Department for a causal link between the damage and war or hostilities in the area where the damage occurred.

The company PZU Ukraina Życie under martial law was forced to switch to accepting documents for payment in electronic form, as well as signing insurance contracts and letters to clients in the VCHASNO system. This required an overhaul of the claims handling process, but it was also a viable step toward the introduction of an electronic workflow in this customer service segment.

During the first months of the war, there was a significant drop in both the number of claims reported and the number of claims handled. Gradually, however, all claims for which a complete package of documents had been received were handled, and standard deadlines for claims handling were restored.

## 3.2.4. Factors, including threats and risks, that may affect insurance business in 2023

### Non-life insurance in Poland

In addition to chance events such as sudden floods, hail, torrential rain, hurricanes, cyclones, droughts, spring ground frosts, which due to the ongoing climate change are becoming more and more unpredictable and contribute to increasing claims ratio in the property insurance sector, the following hazards also exist:

- return of the COVID-19 pandemic and its socio-economic consequences, in particular deterioration of the financial standing of businesses and employees from industries affected by the restrictions and the related problems with maintaining and paying for the policies;
- high uncertainty as to the growth of new car sales, mainly in the dealership channel and financed by leasing companies, which may result in lower sales of motor insurance;
- increase in the prices of spare parts affecting claims handling expenses due to the depreciation of the Polish zloty against the euro and problems in global supply chains (the impact of sanctions against Russia and military action in Ukraine) translating into a lack of availability of components for the production of cars and limited availability of spare parts;
- uncertainty regarding the impact of the Polish Financial Supervision Authority's recommendations on claims handling on the value of claims paid;

- reduced demand for voluntary insurance due to a higher inflation rate, higher unemployment and a decline in employment;
- slower economic growth in Poland – the more challenging financial standing of companies may result in elevated credit risk, a higher claims ratio on the financial insurance portfolio and deceleration in the pace of gross written premium growth;
- changes in trends and behavior of client seeking customized proposals and an electronic, swift conclusion of agreements and handling insurance, forcing insurers to adapt to these new expectations rapidly;
- increase of insurance fraud as a result of the more difficult situation in numerous industries, increasing unemployment and lower employment rates;
- introduction of additional regulations or financial burdens on insurance undertakings.

### Life insurance market in Poland

Major risk factors include:

- inflation and its impact on the clients' financial standing and consequently purchasing capacity as well as the real loss of value of sums insured in portfolio policies (possible need to index sums insured);
- demographic changes and the aging society and the ensuing changes in the mortality and fertility levels;
- constant price pressure in group insurance and the battle for client ownership (and client data), thereby cutting the insurer's margins, reducing the quality of the product and fostering entry and exit obstacles for clients to overcome with independent intermediaries;
- softer conditions on the capital markets deteriorating the attractiveness of products, especially unit-linked products;
- negative effect of higher interest rates, increasing inflation and maintenance expenses (prices of energy, goods and services) on sales of mortgage/cash loans and linked insurance products;
- the aging of the population and changes in trends and behavior of client seeking customized proposals – influencing the development of new market segments;
- the emergence of new strains of the SARS-CoV2 virus or other viruses, which could result in further pandemics and their social and economic consequences, including those directly and indirectly regarding increased mortality rates;
- impact of new EIOPA regulations for the insurance market in the European Union;

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- KNF decision on product intervention in the unit-linked life insurance segment, which came into effect on 1 January 2022;
- the emergence of new competitors and solutions, including the operators of large client bases or insurtech companies.

Insurance in the Baltic States and Ukraine

- In addition to chance events such as sudden floods, hail, torrential rain, hurricanes, cyclones, droughts, spring ground frosts, which due to the ongoing climate change are becoming more and more unpredictable and contribute to increasing claims ratio in the property insurance sector, the following hazards also exist:
- geopolitical tensions, particularly the ongoing Russia-Ukraine, which has a direct impact on the possibility of conducting insurance operations in Ukraine and on their results;
  - slowdown of economic growth in the Baltic States and Ukraine – the more challenging financial standing of companies may result in elevated credit risk, a higher claims ratio on the financial insurance portfolio and deceleration in the pace of gross written premium growth in both motor and property insurance;
  - negative effect of higher interest rates, increasing inflation and maintenance expenses (prices of energy, goods and services) on sales of mortgage/cash loans and linked insurance products;
  - impact of new EIOPA regulations for the insurance market in the European Union;
  - changes in trends and behavior of client seeking customized proposals and an electronic, swift conclusion of agreements and handling insurance, forcing insurers to adapt to these new expectations rapidly;
  - increase in insurance fraud cases as a result of the more difficult situation in numerous industries causing growing unemployment;
  - introduction of additional regulations or financial burdens on insurance undertakings.

3.3. Medical care

3.3.1. Situation on the health market



The health market is a dynamically developing and prospective business area. Experts from PMR, dealing with market research and analyses in Central and Eastern Europe, expect that in 2022-2027<sup>2</sup>:

- the growth rate of private health insurance will reach the average annual level of approx. 8.5% for supplementary health insurance and approx. 8.2% for subscriptions;
  - the average growth rate of the fee for service market will be 8.3% per year.
- In addition, the following is expected:
- further intensive development of telemedicine and service opportunities through remote channels;
  - increasing number of persons outside working age and greater need to provide care to senior citizens;
  - increasing public awareness of prevention and periodic examinations;
  - persistently high inflation of medical services, in particular due to wage pressures from medical staff.
  - reducing the materiality of the COVID-19 pandemic factor and its impact on the health market.

According to PMR<sup>3</sup> wthe private health care offered under fee-for-service products at the end of 2022 was worth PLN 25.3 billion (increase by 16% y/y). The value of medical subscriptions reached PLN 5.9 billion (up 12.5%), while the value of private health insurance was over PLN 1.2 billion (up 13.1% y/y).

As of mid-2022, the National Health Fund increased valuations of services in specialized outpatient care. This has a positive effect on medical centers offering healthcare services under public financing.

In 2022, the impact of the COVID-19 pandemic did not leave as much of a mark on the health market as in 2020 and 2021. The general accessibility of vaccinations, the gradual easing of regulations, as well as the frequency of changes in anti-covid guidelines have stabilized the predictability of medical centers’ functioning.

2) PMR report, “Private healthcare market in Poland 2022 – market analysis and development forecasts for 2022–2027”  
3) PMR report, “Private healthcare market in Poland 2022 – market analysis and development forecasts for 2022–2027”

The broad range of health products is adapter to the segment’s and client’s needs

Outpatient care	Dentistry	Occupational medicine	Rehabilitation	Prevention programs	Hospital care	Reimbursement of medicines	Telemedicine	Psychological care

Contrary to initial concerns, the influx of people from Ukraine due to the war did not contribute to an observable increase in unmanageable demand for healthcare services in the private sector. However, a potential escalation or prolonged conflict can negatively affect the private healthcare market, through the macroeconomic situation and indicators of inflation and interest rates, which could result in reduced private consumption and a decline in real remunerations.

According to PMR, medical inflation will be an important factor affecting the value of the private healthcare care market. The previous trend of growing prices will be maintained in the coming years and its pace will be even higher. This is why the above aspects will be particularly important for the prices of outpatient care and physician services. The healthcare services market (fee for service, subscriptions, insurance) is sensitive to marked increases in the price of electricity and materials and raw materials, which raise operating costs. The growth rate for remunerations in private healthcare is as high as 13.2% y/y, which is mainly due to remuneration claims of white staff including nurses, physical therapists, physiotherapists, hygienists and dental assistants.

The projected total value of the private healthcare market will be PLN 73.7 billion in 2023, of which the value of the market excluding medicine and non-medicine expenses<sup>4</sup> is about PLN 34.3 billion. The projected CPI inflation for 2023 in the healthcare market sector is 6.9% (CPI). The average increase for the market is lower than inflation because it takes into account fairly stable medicine prices. Growth is expected at 13.2%<sup>5</sup> for physician services.

3.3.2. Activity and product offering

PZU Zdrowie is one of the largest nationwide medical operators. The PZU Zdrowie medical network has almost 130

own centers, including diagnostic imaging labs, and nearly 2,200 partner centers in 600 cities in Poland. It has its own 24/7 medical hotline, myPZU patient portal and Telemedicine Center. It provides healthcare in the form of insurance and subscriptions for companies and individual clients. PZU Zdrowie medical centers are also available to patients who do not have PZU packages. The Health Area consists of the PZU Życie medical operator business and health insurance. It is an integral part of the PZU Group's business model and represents one of its most important areas of growth. In 2022, revenues in the health pillar increased by 16.2%y/y to PLN 1.272 million. An increase was noted both in revenue generated by the ever-expanding network of medical centers (up 16% y/y) and in sales of health insurance and subscriptions (up 16.4% y/y). The number of health contracts across the PZU Group rose to 3.23 million, or 6.4% y/y, mainly due to sales of health insurance and add-on protection products.

PZU Zdrowie's medical operator activities include:

- handling health products in the form of insurance (life and health insurance and non-life and other personal health insurance – products of PZU SA, PZU Życie and TUW PZUW);
- sales and service of non-insurance products (occupational medicine, group and individual medical subscriptions, partnerships and prevention programs);
- building its own medical infrastructure of a uniform standard (medical centers, diagnostic laboratories and its own Telemedicine Center) to ensure the best possible access to the services as provided and to meet revenue targets.

The medical care model is focused on keeping up the good health of clients, providing a broad range of prevention measures and screening tests and on promoting healthy lifestyles.

Activities completed in 2022 in furtherance of the development of the health area

Development of health offerings

**Non-insurance offerings (packages, subscriptions)**  
In 2022, PZU Zdrowie continued to develop its group and individual medical care offerings to pursue its strategy as





### 3. Business

a comprehensive medical operator. The main activities included:

- expanding the individual client subscription offerings, introduced in late 2021, with new options – partner, parent, family, Senior and Student packages. "Medical package for 67+ clients" received the August award of the month from Gazeta Ubezpieczeniowa [Insurance Newspaper];
- making e-Rata payments available to clients through Alior Bank;
- implementing subsequent prevention packages (prepaid packages of medical services for one-time use at PZU Zdrowie medical centers) – at the end of 2022, there were 22 packages in PZU Zdrowie's offerings targeting various health problems;
- implementing an add-on service to the medical subscription "hotline", which operates 24/7 and guarantees immediate teleconsultation in cases requiring rapid medical intervention;
- implementing a medical product for Bank Pekao clients, with a dedicated range of medical packages that is only available in conjunction with bank products;
- implementing the medical subscription add-on package "COVID-19 prevention" – a post-COVID-19 prevention program aimed at diagnosis and exclusion of complications associated with the presence of COVID-19.

#### Insurance offerings

PZU Zdrowie, in addition to offering its own health products, acts as a medical operator handling insurance products of the PZU Group. In 2022, PZU Życie continued to implement the PZU Na Życie Plus product. With the new offering, employers can provide their employees and their families with insurance cover, along with medical care, under one multifaceted contract and one sales process. The product is available for purchase as of 1 July 2022.

#### E-commerce

PZU Życie launched a new online store in July 2022: Private medical care | PZU Zdrowie Store, where individual clients can learn about PZU Życie's product offerings and then purchase individual appointments and examinations, as well as medical packages on myPZU.

#### Development of medical infrastructure

- Opening of three new medical centers

- a) **Centrum Medyczne PZU Zdrowie Łódź Ogrodowa [PZU Zdrowie Medical Center – Łódź Ogrodowa]**  
In early May, PZU Życie launched a new multispecialty medical facility in the center of Łódź. It is located in the Ogrodowa 8 Office, between the Manufaktura Shopping Center and Piotrkowska Street in a first floor apartment of 1,000 sqm. The professionals working there provide

care for adults and children. The strengths of the new center include its expert medical staff, wide range of diagnostics and occupational medicine service. Professionals in many fields are available to patients: for adults – 22 types of specializations (including surgeons, diabetologists, endocrinologists, gynecologists, gastroenterologists, ophthalmologists, orthopedists, urologists), for children – 11 specializations (including allergists, dermatologists, nutritionists, cardiologists, laryngologists);

b) **Centrum Medyczne PZU Zdrowie Gdańsk Marynarki Polskiej [PZU Zdrowie Medical Center – Gdańsk Marynarki Polskiej]**

In late May, PZU Życie opened a center of its own in the revitalized Gdańsk Shipyard area. In the new building at ul. Marynarki Polskiej 195, a multispecialty medical center was established with a wide range of diagnostics and medical consultations, as well as an occupational psychology clinic. The new medical center, located in the Palio Cavatina retail and office complex, replaced the existing facility at ul. Jana Pawła II 20. It can be used by both existing patients and new patients under the National Health Fund, corporate or individual subscriptions. Professional offering includes consultations in allergology, endocrinology, gynecology, neurology, ophthalmology, orthopedics, otolaryngology, rheumatology and urology. In addition, it provides free primary care, cardiology, dermatology and diabetes counseling under the National Health Fund. Gdańsk patients will have the necessary diagnostic tests performed on site, including ultrasound, X-ray, EKG, and videodermatoscopy;

c) **PZU Zdrowie Medical Center Krakow Niska [PZU Zdrowie Medical Center – Kraków Niska]**

In November, PZU Życie opened a center of its own in Kraków at ul. Niska 2. It is the largest medical facility in the northern part of Kraków, with a large portion of specialized outpatient care, including a dedicated pediatric area. More than 100 physicians work there. The center can be used by clients with PZU Życie packages, as well as by patients who need individual appointments and examinations. The center offers a wide range of services: specialized consultations for adults and children in the area of more than a dozen specializations (including vascular surgery, dermatology, endocrinology, orthopedics, pulmonology, rheumatology), care of primary care physicians (adults and children) and professionals under the National Health Fund, diagnostic tests (i.a. holter ECG, videodermatoscopy, audiometry, spirometry), laboratory diagnostics, vaccinations for adults and children, minor surgical and dermatological procedures (including cryotherapy and electrocoagulation);

- Completing the acquisition of the diagnostic imaging laboratory of NZOZ Grupa Medical in Grójec;

- Preparing the acquisition of the Nowa 5 medical center in Gorzów Wielkopolski (transaction date – January 2023), the first PZU Życie facility of its own in the Lubuskie region;
- Preparing to launch two new diagnostic imaging labs – in Gdańsk and Kraków – in Q1 2023;
- Increasing the number of cooperating physicians in the company's own network to more than 2,500 physicians – in response to growing patient demand for medical services across all business lines;
- Significantly increasing the scale of cooperation with the National Health Fund by, among other things, increasing the number of patients admitted and services provided in specialized outpatient care (related to the release of service limits as of July 2021);
- Expanding its own Telemedicine Center, which employs 140 physicians and psychologists, in 15 specializations. The facility is responsible for 45% of all telemedicine services provided to patients. The Telemedicine Center's physicians also operate the First Contact Center Platform for the Ministry of Health;
- Introducing a new psychological service – crisis intervention, providing assistance to victims and their families in emergency situations, such as the death of a loved one, a random accident or serious illness. Support is provided at the patient's place of residence. It can take the form of meetings and remote follow-up. Assistance is provided by psychotraumatologists and psycho-oncologists qualified in crisis intervention. The patient remains under the care of the same psychologist. In 2022, 203 intervention trips were organized for 288 eligible persons.

#### mojePZU project in PZU Zdrowie

2022 was also a year of intense project work aimed at developing technological functionalities for patients and building new lines of business. Development of the mojePZU (myPZU) portal and assistance functionality to support self-service and customer service:

- Redesigning screens – improving UX according to customer expectations;
- Introducing native screens in the mobile app for:
  - a) making an in-person appointment;
  - b) arranging laboratory tests;
  - c) making telemedicine appointments;
  - d) automation of laboratory test appointments;
- Launching the sale of laboratory tests to clients who are not logged in and do not have PZU Group products;
- Optimization and automation of processes at the PZU Zdrowie hotline;

- Expanding e-commerce sales to include products with different VAT rates;
- Implementing a process for ordering prescriptions when continuing treatment without an appointment with the physician;
- Creating a patient file, which contains medical documentation produced by physicians of PZU Zdrowie own networks' facilities: prescriptions, referrals, recommendations;
- Automation of laboratory test appointments – clients who have received a referral for laboratory tests at one of PZU Zdrowie's own network centers can make an appointment through the myPZU portal for laboratory tests automatically.

#### New website: zdrowie.pzu.pl

A new PZU Zdrowie website was launched in June 2022, operating at [zdrowie.pzu.pl](https://zdrowie.pzu.pl). The purpose of the change was to add new functionality and bring the site in line with search engine positioning (SEO) and search engine campaign (SEM) requirements and user experience (UX) practices. New elements of the website include: a streamlined search engine for medical centers, a "For patient" section, a "Blog" advice section, and "Media contact" and "About us" tabs, as well as an English-language version of the website.

#### Development of innovative solutions



PZU Zdrowie is constantly looking for innovative solutions that can deliver value to patients, physicians and the PZU Group. Areas of exploration and analysis include the use of advanced telemedicine systems, artificial intelligence, virtual reality, digital therapeutics. Particular attention should be given to the following activities:

- **Artificial intelligence in stroke diagnosis** – continuation of the 2021 pilot. The PZU Zdrowie diagnostic imaging network continued its collaboration with Polish start-up company – BrainScan to support stroke diagnosis in CT scans. The solution facilitates the radiologist's work and allows automatic recognition of a life-threatening lesion. The artificial intelligence algorithms used to analyze the images generate a preliminary diagnosis and mark the examination with a special marker, so that the time for making an initial description in the case of a stroke is reduced to just 2–3 minutes. This allows a team of neurologists to undertake the treatment and diagnostic process almost immediately. Monthly, about 1,000 head CT scans at 10 hospitals are initially diagnosed using AI. Development work is underway to use this solution with regards to other studies and increase the scale of operations;

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- **Cardiomatics pilot in cardiac diagnostics** – software streamlining cardiac diagnostics as part of a pilot program supports the work of physicians at several Warsaw PZU Zdrowie medical facilities. The solution, offered by the Polish company – Cardiomatics, is based on artificial intelligence; it speeds up the receipt of test results and helps effectively analyze and interpret the ECG’s results. The software is cloud-based and used to automate the analysis of ECG signals. It is a CE Class IIa medical device, functioning on the basis of accurate artificial intelligence algorithms, the effectiveness of which has been confirmed in clinical trials, among others. The software is used by more than 1,000 medical professionals in more than 15 countries, including Switzerland, Germany, the UK and Poland. More than 150,000 patients have already been diagnosed thanks to Cardiomatics;
- **Autenti pilot** – with an eye on environmental measures and process efficiency, PZU Zdrowie has been using Autenti's electronic signature to handle documents exchanged between PZU Zdrowie and selected partner centers through this platform since 2022. The solution is used to sign documents remotely and enables qualified signatures to be produced in a matter of minutes. In addition to streamlining internal processes, an additional benefit of the solution is the reduction of paper used;
- **AI in Health Coalition Membership** – PZU Zdrowie continues its activities within the AI in Health Coalition. Within the framework of its activities, the Coalition aims to promote the use of artificial intelligence in the Polish health care system. Bringing together a group of experts and entities pursuing the ultimate objective of the well-being of patients, its ambition is to set directions for the development of the use of AI-based technologies in the sector. The Coalition aims to develop conditions that will enable the broadest possible use of solutions of this kind. At the same time, it highlights the significance of professional medical personnel, pointing to the supporting role of technology, which is to augment the treatment process rather than eliminate or diminish the role of a physician. In its activities, the Coalition gets involved in projects seeking to advance the digitization of the health care system, in cooperation with the Ministry of Health and the Office of the Prime Minister. In May 2022, the Coalition published a "White Paper on AI in Clinical Practice" resulting from the work of its members and a report on the Polish medtech sector – "Top Disruptors in Healthcare".

PZU Zdrowie’s involvement in the promotion of health

PZU Zdrowie undertakes a range of activities, both nationwide and locally, with the aim of improving Poles’ health, including: PZU Zdrowie's corporate social responsibility activities have been described in industry reports: "Responsible Business in Poland. Good practices" – report of the Responsible Business Forum and "Green Hospitals" – report of the UN Global Compact Network Poland.

Promoting prevention and a healthy lifestyle:

- "Summer Senior Academy" – a series of 10 webinars on prevention in adulthood, conducted in cooperation with the National Institute of Silver Economy;
- The OK Senior Passport – a material supporting preventive care for seniors, distributed among senior institutions supported by the National Institute of Silver Economy and at PZU Zdrowie medical centers;
- "Siła KobieTy" [Women’s Strength] – a preventive action by "Dziennik Bałtycki" under the auspices of PZU Zdrowie – educational articles and an information campaign with an exhibition on women's health;
- "Wstążka z wąsem" [Moustache Ribbon] – PZU Zdrowie educational webinar on cancer prevention for men and women;
- PZU Zdrowie is the medical operator of the "Healthy Life" campaign organized by the PZU Group, the Ministry of Health and the National Health Fund, under the patronage of the Presidential Couple. During June–October 2022, 12 health zones were implemented, providing free medical services and advice to visitors;
- "Miasteczko Zdrowia" [Health Town] in Gdańsk and Wrocław – PZU Zdrowie field actions in cooperation with the Veritas Foundation, providing free medical services and advice;
- Senior Day in Gdańsk and Kielce – preventive actions carried out by PZU Zdrowie medical centers addressed to seniors;
- Day of Smile in Poznań – a preventive action carried out by PZU Zdrowie medical centers, addressed to children;
- “Wbiegnij na Varso Tower” [Run up Varso Tower] – tower-running under the auspices of PZU Zdrowie to the highest building in the European Union (Varso Tower in Warsaw);
- “Międzypokoleniowy Marszobiegi po Zdrowie” [Intergenerational March for Health] – run, whose partner was the PZU Zdrowie medical center in Kielce;
- Polish Cup in cross-country running in Cetniewo – run under the auspices of PZU Zdrowie;
- Development of the PZU Zdrowie Guide blog "Health Guide" with articles on healthy lifestyles and selected medical issues.

Patronage of PZU Zdrowie and co-organization of events supporting the development of Polish medicine and the healthcare system:

- “Zdrowie w rozmowie” [Health in Conversation] in partnership with the AI in Health Coalition – a podcast series on medical innovation;

- "AI in Health" in cooperation with the Coalition in Health – a conference on the application of artificial intelligence in medicine;
- "Top Disruptors in Healthcare 2022," in collaboration with the AI in Health Coalition, a report that inventories the Polish healthcare start-up market;
- “Supertalenty w medycynie” [Supertalents in Medicine] in cooperation with Puls Medycyny – a competition for physicians of the younger generation;
- “Plebiscyt Hipokrates” [Hippocrates Plebiscite] in cooperation with Polska Press – a competition for the best-rated physicians and medical centers;
- "Mother and Child Startup Challenge" in cooperation with the Mother and Child Institute – a competition for start-ups in the field of obstetrics and neonatology;
- "Złoty Skalpel” [Golden Scalpel], in cooperation with Puls Medycyny – a competition for scientists in the field of medical innovation;
- "Dziecięcy Szpital Przyszłości” [Children's Hospital of the Future] in cooperation with the K.I.D.S. Foundation – a competition for innovative solutions in children's hospitals;
- "Zdrowie Dzieci” [Children's Health], in cooperation with the Medical University of Gdańsk – a conference on issues of child and adolescent health;

- “Polska w Europie” [Polish woman in Europe], in cooperation with the Association of Health Care Journalists – a training conference for medical staff;
- Partnership with the Student Government of Warsaw Medical University – publishing of the academic calendar; patronage of the 87th congress of the Commission for Higher Medical Education.

PZU Zdrowie is the sponsor of the onkorodzice.pl website:

- it is a knowledge base on children’s cancers that may be accessed by both the parents of sick children and representatives of the medical community. It aims to facilitate the exchange of experiences with other parents who have found themselves in a similar situation and to provide support in many areas related to pediatric oncology;

PZU Zdrowie centers in the "Prevention 40 Plus" program:

- a program implemented by the Ministry of Health to prevent chronic diseases, whose diagnosis was more difficult due to limited access to medical tests and physician consultations during the COVID-19 pandemic.

PZU Health Services Management Center (CZUM) in Gdańsk



In addition to standard patient services, the PZU Zdrowie medical hotline is the operator of the following Ministry of Health projects:

24/7 support of the Contact Center for people infected with COVID-19

- 30,000 patients took 983,000 measurements, of which 11,000 generated an alert requiring a response from the Contact Center and 300 Emergency Medical Team calls (project completed by 30 June 2022).



COVID-19 test referrals

- Nearly 90,000 referrals were issued for the COVID-19 test (project completed by 30 June 2022).



Prevention 40 Plus

- 330,000 questionnaires qualifying patients aged 40 and over for free preventive examinations completed in January–December 2022.



First Contact Center Platform

- 172,000 calls handled and 168,000 teleconsultations provided in January – December 2022 as part of night and holiday medical assistance available outside the working hours of primary health care centers, i.e., Monday to Friday from 6:00 p.m. to 8:00 a.m. and 24/7 on weekends and public holidays.



The Hotline of the National Vaccination Program

- Nearly 270,000 registrations issued for COVID-19 vaccination in the period July -December 2022










3. Business

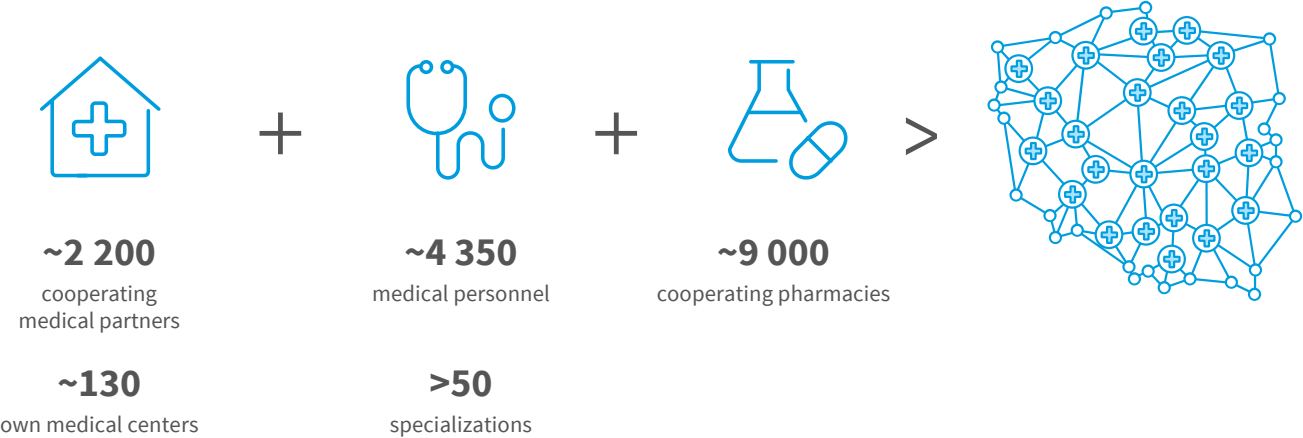
3.3.3. Distribution and customer service

Health products – in the form of life & health and property insurance as well as non-insurance products – are distributed through virtually all sales channels of the PZU Group, including the corporate and agency network of PZU and PZU Życie and the sales network of PZU Zdrowie. The COVID-19 pandemic also contributed to an increase in sales through the digital channel of the mojePZU website where clients may choose from the new offering of prevention packages and individual medical subscriptions as well as individual medical consultations

Health products distribution network

	Corporate insurance	Mass insurance	Individual insurance	Non-insurance products
 Corporate sales	✓	✓		
 Tied agents	✓	✓	✓	
 Multi-agencies/ Brokers/Dealers	✓	✓	✓	
 Branch	✓	✓	✓	
 Direct (mailing)				✓
 Strategic partners		✓		✓
 PZU Zdrowie employees (corporate network and outlets)				✓

Development of the scale of operations of PZU Zdrowie



delivered both in the form of teleconsultations and stationary appointments.

Medical infrastructure

PZU Zdrowie cooperates with almost 2,200 partner centers in nearly 600 towns and cities in Poland. At the same time, it is consistently developing its own network of nearly 130 centers, including in Warsaw, Łódź, Gdańsk, Poznań, Katowice, Wrocław, Kraków, Częstochowa, Radom, Płock and Opole. Initially, it was created by acquiring local health care service providers with extensive experience and a good reputation in the medical community. Currently, PZU Zdrowie is in the process of expanding the scope of its activities in the following two ways:

Amenities for patients receiving medical care from PZU Zdrowie

What distinguishes us:

access to specialist doctors without a referral

accepting referrals from outside the network PZU Zdrowie

reimbursement of the costs of medical visits and examinations outside PZU Zdrowie facilities

modern and accessible patient portal

Scientific Council - expert support from various fields of medicine

modern medical centres equipped with top-class equipment

electronic medical interview "Symptom Checker"

emergency medical assistance



wide range of telemedicine services

high standards of patient service

organization and management of occupational medicine using a dedicated portal

preventive programs

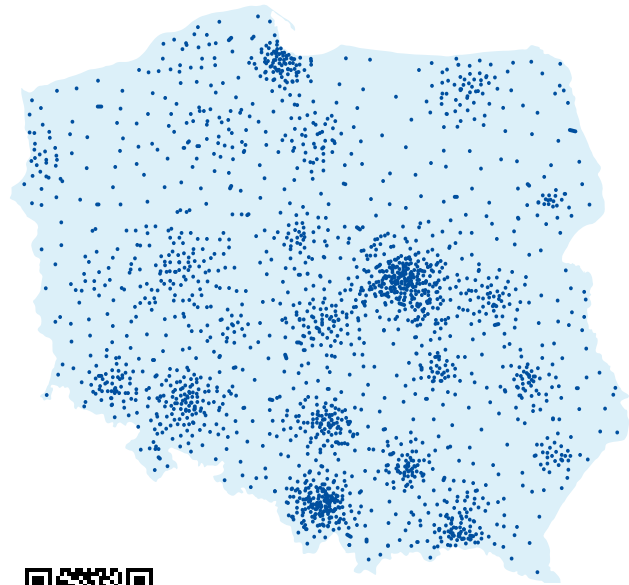
psychological help and vouchers for psychological consultations

smooth process for proceeding to medical care

pregnancy care and access to birthing school

- by acquiring establishments enjoying a good reputation on the local market;
- through building greenfield medical centers, which makes it easier for the company to usher in uniform standards in terms of equipment and patient service in such facilities.

Medical centers and physicians



Contact channels

A patient can make a doctor's appointment or an appointment for any other medical service provided by PZU Zdrowie through:



mojePZU mobile app / self-service website mojePZU with access to the calendar of appointments of each center



PZU Zdrowie's 24-hour medical hotline – 801 405 905 or 22 505 15 48



[See more](#)



directly at the center.



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3.3.4. Factors, including threats and risks, that may affect the operations of the health area in 2023

Major risk factors include:

- the demand for specialized doctors exceeds the supply, which may slow down growth and affect margins;
- inflationary pressures from affiliate networks and salary pressures exerted by doctors and other personnel serving patients in medical centers may directly affect financial performance in the health area;
- wage pressure combined with an increase in demand for medical services may result in limited ability of providing these services in selected medical centers – medical personnel may prefer/accept only facilities that meet higher employee compensation expectations;
- changes in fertility, mortality, and morbidity rates, as well as the health consequences of the fact that during the pandemic treatments for certain conditions (e.g., cardiovascular and oncology) were postponed, may affect the value of sales and the claims ratios (e.g. in subscription plans or in health insurance);
- changes in trends and behaviors displayed by clients, who will start searching for customized offerings – clients’ new expectations may bring about the need to change processes and systems, which in turn may affect the bottom-line results;
- uncertainty surrounding the evolution of the pandemic and potential limitations in the operation of medical facilities may significantly affect the performance of medical centers;
- an increase in unemployment and uncertainty on the labor market may reduce sales growth of new insurance and medical subscriptions for corporate employees;
- continued pressure on the prices of group insurance products – the market for health services remains very competitive both in terms of prices and the range of available services;
- relatively high saturation of the market in larger cities and also staff shortages and lack of customer potential in smaller towns may reduce growth rates;
- potential modification of the valuation of outpatient specialist care services by the National Health Fund may cause significant changes in the financial results generated by medical centers;
- stronger and/or more aggressive policy geared at the development of the network of own facilities by competitors in the market may significantly affect the options available to patients or the competitive position of medical operators in the long term.

3.4. Investments

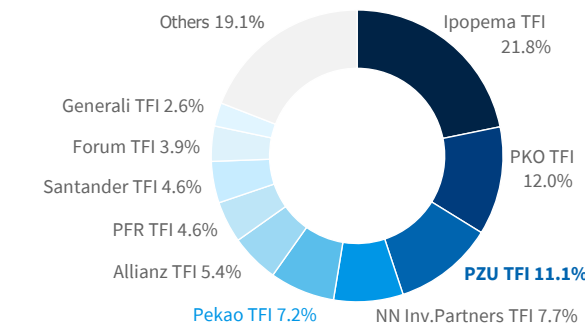
3.4.1. Investment and pension fund market

Investment fund market



As at the end of 2022, assets under management of domestic investment funds were above PLN 266.3 billion, compared to 301.7 billion at the end of 2021, representing a decrease by 11.7%.

Investment fund companies (TFI) – share in TFI assets as at 31.12.2022 (in %)



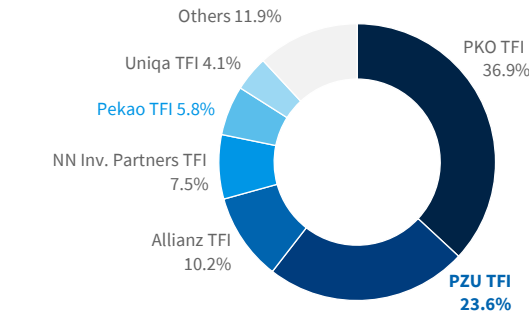
Source: IZFiA

The year 2022 in the global economy was marked by severe turbulence due to the outbreak of war in Ukraine and a rise in inflation to levels not seen in many countries for 40 years. These two phenomena and their economic consequences have negatively affected all asset classes. In terms of the global market, both equity market-based and bond market-based strategies produced relatively high losses. In the domestic investment fund market, we saw a high value of withdrawals by clients (nearly 24 billion in negative sales) combined with a high discount in the value of assets remaining in the funds. In total, the investment fund market shrank by more than PLN 35 billion by the end of 2022.

Employee Capital Schemes

The net asset market value of the target date funds operated by TFI under the Employee Capital Schemes totaled over PLN 10.3 billion at the end of 2022, compared to PLN 6.5 billion at the end of 2021, an increase of 58%.

Investment fund companies (TFI) – share in ECS assets as at 31.12.2022 (in %)



Source: KNF, net asset value of FZD according to management institutions, data for TFI only, without PTE and TU

The net asset value of ECS target date funds for the entire market, i.e. those run by TFIs, PTEs and insurance companies, rose to nearly PLN 12 billion at the end of 2022, compared to PLN 7.7 billion at the end of 2021. The increase was due to the continuation of the program. In 2021, all employers were required to create an Employee Capital Scheme. In 2022, further contributions from employees (2-4% of gross remuneration), employers (1.5-4% of employee gross remuneration), as well as welcome (PLN 250) and annual (PLN 240) surcharges from the state, were regularly paid for the ECS.

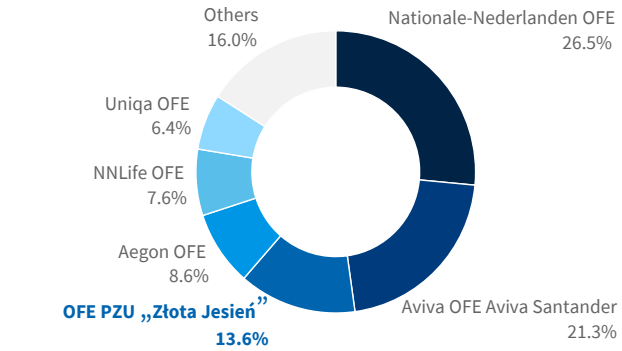
Pension funds market

At the end of 2022, the net assets of open-ended pension funds amounted to more than PLN 156 billion, a decrease of 17% compared to the end of 2021. The decline in asset values was mainly influenced by the war in Ukraine, which affected investor behavior. For the most part of 2022, there was a lot of volatility in stock markets. The indexes saw significant declines in 9 months. It was not until the fourth quarter that there was a significant rebound, allowing the indexes to recover more than half of their losses.

Voluntary Pension Funds

Despite high volatility on the equity market in 2022, assets of voluntary pension funds rose to more than PLN 1.2 billion at year-end. A significant impact on the value of assets came from current contributions, which amounted to nearly PLN 120 million in 2022 at DFE PZU.

Open-ended pension funds – share in net assets as at 31.12.2022 (in %)



Source: KNF, monthly data on the OFE market, data for December 2022.

3.4.2. Activity and product offering

TFI PZU

Towarzystwo Funduszy Inwestycyjnych PZU (TFI PZU) operates on the investment fund market in the PZU Group. TFI PZU offers products and services for retail and institutional clients. It also operates investment and saving programs under the third pillar of the social security system:

- Individual Retirement Accounts (IRA) and Individual Retirement Security Accounts (IRSA);
- Employee Savings Plans (ESP);
- Employee Pension Schemes (EPS);
- Employee Capital Schemes (ECS);
- Group Pension Schemes (GPP) and the Higher Pension Package (HPP), within which IRAs and IRSAs are available, dedicated to employees of corporate clients serviced by TFI PZU.

As at the end of 2022, TFI PZU had 59 funds and sub-funds in its portfolio, including 9 ECS sub-funds.

At the beginning of 2022, 7 new inPZU SFIO sub-funds were added to the distributed offering, and a new method of client identity identification was implemented in the inPZU service – video-verification that takes into account all identity documents. TFI PZU also offers intensively developed managed account services. In November 2022, TFI PZU merged with TFI Energia thanks to which it acquired 3 Energia Emerytura SFIO pension sub-funds, one closed-end

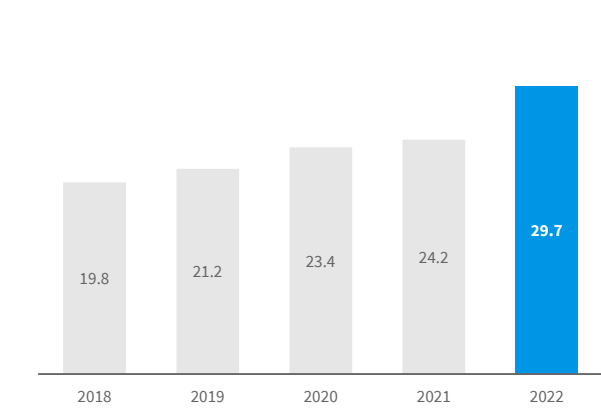


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fund dedicated to an external entity and a portfolio of assets under management. The effect of the merger is an increase of the assets under management of TFI PZU by approximately PLN 5.2 billion and strengthening its position in the pension products market.

At the end of 2022, TFI PZU managed investment funds with net assets of PLN 29.7 billion, an increase of 22.7% as compared to the end of 2021 and an 11.1% share of the investment fund market. Thus, within the investment fund management market, TFI PZU achieved the status of one of the three largest investment fund companies in Poland (in the reports of the Chamber of Fund and Asset Management, it was ranked third after Ipopema TFI and PKO TFI).

Net assets of TFI PZU funds (in PLN billion)



Source: IZFIA

As part of its progressively expanding asset management service on behalf of clients (asset management service), TFI PZU managed nearly PLN 11.3 billion in assets as at the end of 2022, including nearly PLN 0.6 billion for an external client. The value of assets under management in investment funds and under the contract management service amounted to nearly PLN 41 billion, of which assets from an external client amounted to PLN 15.5 billion.

TFI PZU saw the largest asset growth in 2022 in its target date sub-funds: ECS inPZU 2035 (+PLN 222.6 mln); ECS inPZU 2040 (+PLN 205.2 mln); ECS inPZU 2030 (+PLN 189.8 mln); ECS inPZU 2045 (+PLN 148.9 mln) and ECS inPZU 2025 (+PLN 137.6 mln), while the funds with the largest decrease in net assets in 2022 were: PZU Sejf+ (down 272.6 mln), PZU Stabilnego Wzrostu Mazurek (down 209.5 mln) and inPZU Inwestycji Ostrożnych (down 130.4 mln).

A significant positive effect of TFI PZU's activities in 2022, was the positive balance of sales of inPZU funds through distribution via the inpzu.pl platform – despite the

exceptionally negative market environment and the decline in market size.

Changes in assets under management within the funds were driven predominantly by:

- the merger with TFI Energia;
- development of the inPZU service and offering and the support actions;
- systematic contributions as part of Employee Capital Schemes;
- systematic contributions as part of Employee Pension Schemes;
- global financial market reactions to Russia's invasion against Ukraine;
- National Central Bank policy in the area of interest rates;
- an unprecedented rise in bond profitability, depressing their valuation;
- discounts in most global stock markets;;
- interest rate hikes by central banks decreasing in relative terms the profits generated by some funds.

TFI PZU is also one of the market leaders in Employee Capital Schemes (ECS) and Employee Pension Schemes (EPS). This result is due to the extensive support that TFI PZU offers to employers in implementing and operating ECSs, the satisfactory investment performance of the ECS sub-funds, and the close cooperation with the Corporate Customer Division of PZU Życie.

The continued stabilization of the ECS and EPS portfolios in 2022 has strengthened the PZU Group's position in both areas in terms of asset value and number of participants. TFI PZU's ECS fund assets amounted to PLN 2.44 billion at the end of 2022, compared to PLN 1.36 billion at the end of 2021, an increase of 79% y/y. In total, at the end of 2022, TFI PZU had 103,436 ECS management agreements in place, with 712,820 employees enrolled.

On the other hand, 187,772 employees participated in the 540 EPSs run by TFI PZU, which collectively accumulated savings worth PLN 5.76 billion at the end of 2022.

PTE PZU

PTE PZU manages the following entities:

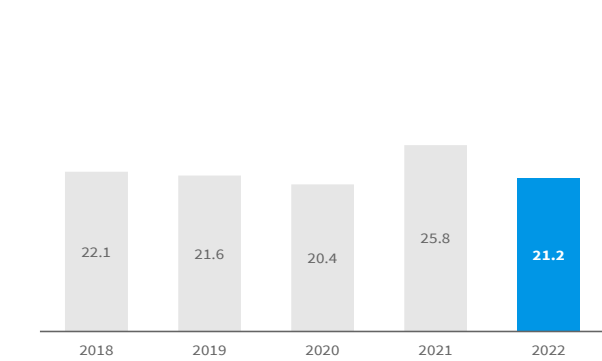
- OFE PZU “Złota Jesień” open-end pension fund;
- DFE PZU voluntary pension fund.

OFE PZU “Złota Jesień” is one of the largest participants in the pension funds market in Poland. At the end of 2022, OFE

PZU was the third largest pension fund, both in terms of the number of members, as well as in terms of net asset value:

- The fund had 2,228,933 members, or 15.0% of all open-ended pension fund participants;
- Net assets amounted to more than PLN 21.2 billion, or 13.6% of the total assets of open-ended pension funds operating in Poland.

Net assets of OFE PZU "Złota Jesień" (in PLN billion)



Source: KNF

As at the end of 2022, DFE PZU had 41.2 thousand IKZE accounts with assets worth PLN 514.1 million. It kept the leading position in the voluntary pension fund segment.

3.4.3. Distribution and customer service

TFI PZU

TFI PZU acquires assets for management within the framework of the following four business models:

- The first one of these, which is still the most important one, is based on obtaining funds through strengthening the company's market position in the pension market within the framework of EPSs and ECSs, whose assets exceeded a total of PLN 8 billion;
- The second model involves cooperation with external entities, such as banks, brokerage houses, insurers and independent financial advisors (IFAs) that distribute TFI PZU funds to retail and institutional clients. The external distribution model was launched in 2011 and is rapidly expanding in scope by acquiring new partners in traditional and remote channels. As at the end of 2022, TFI was working with 23 institutions in this channel;
- The third model is based on the use of own and partner networks related to PZU – a network of PZU insurance branches, PZU Group member banks (Bank Pekao and Alior Bank) and TFI's own sales network.

- The fourth and youngest distribution model is the online platform launched in 2018 along with the launch of the first umbrella of passive funds in Poland, which at the end of 2022 was comprised of 16 asset classes.

An important project, which was completed in November 2022, was the final stage of the process of migrating service processes from the previous Transfer Agent's operating system to the new system.

inPZU

The online platform, inPZU.pl, launched in 2018, enables clients to independently invest in the first fully proprietary passive funds in Poland. The platform is available 24/7, both in the desktop version and on any mobile device, and since 2020 also an English language version has been available. On the inPZU website, users may compare funds, define their investment objectives and personalize them. inPZU also enables users to search for funds and ready-made model portfolios as well as pay for their orders online. The platform is available to both individual and institutional clients. This is an attractive tool both for advanced investors and persons who are just starting to invest their savings.

In the first half of 2022, a new method of client identity identification was implemented – video verification that takes into account all identity documents. In November 2022, the project to migrate the handling of registers and products from the old transaction service (SSI) to the inPZU platform was completed, allowing post-sale handling of all TFI products in a single online transaction service, under a single login and password.

At the end of 2022, there were more than 117,000 active users of inPZU.pl.

PTE PZU

Payments to OFE PZU originate from pension insurance contributions transferred by the Social Insurance Institution (ZUS) in accordance with the decision made by the insured, under the second pillar of the pension system.

Client acquisition for individual pension security accounts by DFE PZU is carried out through five distribution channels:

- PZU Życie;
- Bank Pekao;
- PZU CO;
- own sales network of PTE PZU;
- the Internet.

The online contracting tool is the Contract Wizard, available at <http://ikze.pzu.pl>. With this solution, clients may easily



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open their individual pension security accounts without the need to send any documents. Sales activities carried out in 2022 indicate that despite further post-pandemic threats, distribution channels in the form of PZU Życie and Bank Pekao branches, which provide direct contact with clients, have the greatest sales potential.

During 2022, educational activities were carried out; they were related to communication of contribution limits on individual pension security accounts, information on the possibility of taking advantage of the tax credit, and building awareness of pension security and retirement saving.

## 3.4.4. Factors, including threats and risks, which may affect the operations of invetment funds, Employee Capital Schemes and pension funds in 2023

### Investment funds

The condition and performance of the market for investment funds and Employee Capital Schemes will depend mainly on the following:

- the geopolitical and macroeconomic situation (including the pace of economic growth, the unemployment rate and the inflation rate in Poland and Europe) affecting the financial standing of enterprises and households;
- actions taken by central bank (Federal Reserve System – FED, European Central Bank – ECB, Bank of Japan, People’s Bank of China) translating into global money supply and liquidity on the financial markets;
- the impact of levels and exchange of interest rates announced by the National Bank of Poland on both the bond market and the whole capital market in Poland;
- absorption by the economy of the high inflation environment which will affect the rate of economic growth in Poland;
- propensity to allocate savings in investment and long-term solutions in the event of a higher inflation and greater debt servicing costs;
- the level of participation of employee capital schemes participants in the first ECS auto-enrollment process, which will take place in the first half of 2023.

### Pension funds

The main challenges facing the pension fund market are the following:

- the economic climate on the capital market and, in particular on the Warsaw Stock Exchange, which is affected by the war in Ukraine and which affects the value of the funds' assets, and the level of fees collected by pension fund companies for management;
- active asset allocation due to increasing interest rates;
- active participation in the work on enhancing the performance of the third pillar of the pension scheme, thus making it more attractive, and influencing the need in public awareness for accumulating additional savings for future retirement.

## 3.5. Banking

### 3.5.1. Situation on the banking market in Poland

In 2022, the sector’s performance was improved by the growing interest result, as the Monetary Policy Council (MPC) continued the series of interest rate increases. On the other hand, deterioration of the economic outlook, for instance resulting from the Russia’s military invasion against Ukraine, higher inflation and accelerated tightening of the monetary policy began exerting a negative impact on credit demand, which translated into reduced lending in the mortgage market in particular. Despite a significant increase in interest income, profitability of banks was limited due to credit vacations and provision for legal risk.

At the end of December 2022, there were 30 commercial banks, 496 cooperative banks and 34 branches of credit institutions operating in Poland. The banking network comprised a total of 5,077 branches, 2,408 offices, agencies and other customer service outlets and 2,816 representative offices (including partner centers). Therefore, the banking network comprised a total of 10,301 outlets, i.e. 484 fewer outlets than at the end of the previous year.

Headcount in the banking sector at the end of December 2022 rose to 143.4 thousand people and was 395 thousand (0.3%) higher than at end of 2021.

In 2022, the banking sector generated a net profit of PLN 12.5 billion, compared to PLN 6.0 billion in the corresponding period of the previous year, up PLN 6.5 billion. What had the largest impact on the higher net result was the interest income (up by 29.4 billion y/y) whose increase was determined by the series of interest rate increases continued by the MPC. Also, a positive impact was also exerted by higher commission income (up by PLN 1.3 billion) and lower level of provisions (down by PLN 1.8 billion).

In 2022, margins improved. As interest rates grew higher, the net interest margin (NIM)<sup>6</sup> was increasing the entire period, and as at the end of December the indicator amounted to 3.20% compared to 2.07% at the end of December 2021.

In 2022, the return on equity (ROE)<sup>7</sup> of the banking sector was 7.0%, representing an increase by 3.85 pp y/y.

ROA<sup>8</sup> amounted to 0.47% in December 2022, that is an increase by 0.23 p.p. compared to December 2021. The smaller scale of write-offs caused the R/I ratio<sup>9</sup> (the ratio of the banking sector’s provisions and write-offs to operating income) to drop to 16.63% at the end of 2022 (-6.33 pp y/y). The increase in the y/y operating income (with costs kept under control) reduced the C/I ratio<sup>10</sup> in the whole sector from 59.51% at the end of 2021 to 53.48% at the end of 2022.

At yearend 2022, the asset value of the banking sector was PLN 2,741 billion, up 6.6% from December 2021.

The growth rate of loans in the non-financial sector in early 2022 improved compared to 2021, which was impacted by demand of households as well as businesses facing a continued economic rebound after the COVID-19 pandemic. The potentially stronger growth was limited by consequences of the armed conflict over the eastern border, higher inflation and increased interest rates. In December 2022, the value of credits in the non-financial sector amounted to PLN 1.118 billion, a decrease of 0.9% compared to December 2021.

At the end of December 2022, deposits of the non-financial sector totaled PLN 1,651 billion, an increase of 6.5% compared to the end of 2021. Corporate deposits remained the highest increase in the structure of deposits. Household deposits grew at a slower rate than a year prior.

The banking sector’s own funds for capital ratios, calculated in accordance with the regulations laid down in the CRR Regulation, was PLN 214 billion at the end of September 2022, down 6.5% from the end of September 2021.

6) NIM indicator – the relation of the interest result of 12 consecutive months to average interest assets in the same period of 13 consecutive months.

7, 8) ROA and ROE indicator – the relation of the sum of the financial result of 12 consecutive months to, respectively, average assets and average capital in the same period of 13 consecutive months. ROE relates to the aggregate commercial and cooperative banking sector (without branches of credit institutions), ROA relates to the entire banking sector.

9) R/I ratio – relation of write-offs and provisions (provisions+impairment or reversal of impairment) to revenue (total net operating income) – rolling average from 12 months.

10) C/I ratio – relation of costs (costs of an operation+depreciation of fixed assets and intangible assets) to revenue (total net operating income) – rolling average from 12 months.

In 2022, the sector’s capital situation remained stable. The banking sector’s total capital ratio at the end of September 2022 was 18.21%, while the Tier I capital ratio at the end of this period was 16.35%.

## 3.5.2. Activity and product offering

### Bank Pekao Group

**Bank Pekao** is a universal commercial bank offering a full range of banking services provided to individual and institutional clients operating chiefly in Poland. The Bank Pekao Group consists of financial institutions operating on the following markets: banking, asset management, brokerage services, transaction advisory, leasing and factoring. Since 2017, Bank Pekao has been part of the PZU Group.

On the Polish market, the Bank offers competitive products and services, high-level customer service and a developed distribution network. A broad product offering, innovative solutions and individual approach provide clients with comprehensive financial service. An integrated service model, in turn, guarantees the highest quality of products and services, as well as their alignment with the changing needs. The Bank systematically strengthens its market position in the strategic areas of business.

On 3 January 2021, the Bank acquired the enterprise and the liabilities of Idea Bank after the Bank Guarantee Fund applied the forced resolution procedure.

Idea Bank was commercial bank offering banking services provided to individual and institutional clients, such as, among others, acceptance of cash deposits payable on demand or upon maturity and keeping accounts for such deposits, granting loans, granting bank guarantees, issuing securities. The acquisition of Idea Bank did not entail any payment from Bank Pekao. As a result of the transaction the PZU Group acquired Idea Bank’s assets and liabilities whose total estimate fair value was negative. Considering the foregoing, on 8 January 2021 Pekao received from BFG support in the form of a subsidy of PLN 193 million to cover the difference between the value of the acquired liabilities and the value of the acquired property rights of Idea Bank.

At the end of Q3 2022, Bank Pekao was the second largest bank in Poland (in terms of the value of its assets).

### New products and services

As part of its account offering, Bank Pekao concentrated its efforts on promoting its savings account – Konto Oszczędnościowe, by offering higher interest rate for the first





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six months after opening the account. The Bank also offered attractive bonuses of up to PLN 200 for participating in the “open a selfie account” promotion consisting in using online identity verification. After introducing the referral program in the **PeoPay** app and **Pekao24** online banking, the Bank saw an increase in the number of clients joining the program and accounts opened based on a referral.

In 2022, the Bank was also developing its offer dedicated to young clients by offering accounts for children (aged 0 to 17) and young people (aged 18-26). The Bank gave the youngest special bonuses which encouraged them to save money and use financial instruments.

In December 2022, Bank Pekao extended its offer by adding new cards to the account with 15 gaming images, gaming skins in the **PeoPay Kids** app and by simplifying the PeoPay app for teenagers. When opening an account with a card, clients can collect points worth PLN 100 to exchange for bonuses for gamers in the Mastercard loyalty program “Priceless Moments”, and receive additional PLN 200 for opening the selfie account and making a transaction.

Additionally, the Bank participated in the educational fair for secondary school graduates “Salon Maturzystów” organized in 14 biggest academic cities, and continued cooperation with the Parliament of the Republic of Poland Students. Students who are going to travel abroad, for instance on a scholarship, can use the offer especially prepared by the Bank – Traveler’s Package, thanks to which they can issue the ISIC card with insurance free of charge.

In 2022, Bank Pekao also prepared a special offer for nationals of Ukraine. The procedure of opening a bank account was simplified, fees were canceled for keeping the account, handling cards and making withdrawals from ATMs as well as for transfers from Poland to banks in Ukraine both for individual and corporate clients.

Last year, the Bank extended its offer by adding the **Credit Card with a Bison**. This is the first subscription-type credit card in Poland available in three packages. When the card is issued, the Client can choose their package: standard, gold or platinum. The card is free in the standard package. It is possible to change the package without any fees, and adjust to the client’s needs without replacing the plastic card. Some of the greatest advantages of having the card include the option to spread repayment into convenient 0% installments, reimbursement for online purchases and for highway payments, insurance for online purchases and transactions, travel insurance, access to free airport lounges, and an exceptionally long interest-free period. The new card is made from 99% recycled raw material.

Due to the macroeconomic situation, including interest rate hikes, a fixed rate loan was introduced. The fixed rate offer offers clients the stability of the loan repayment and financial security of the household budget.

Additionally, the Bank also introduced the medical school loan with payment surety provided by BGK in cooperation with the Ministry of Health and Bank Gospodarstwa Krajowego. The loan offer is available for current students and candidates who will be starting medical programs at Polish higher education institutions.

In 2022, the Bank offered individual clients installment loan for the purchase of goods and services in online stores, with the loan period of even up to 60 months and the amount of loan of up to PLN 20,000. The entire process of getting the loan takes only few minutes and can be completed without leaving home. The identity is verified with open banking and video-verification services.

The slowdown in the home loan market translated into a decrease in the number of loan applications and the value of home loans granted. Therefore, Bank Pekao focused on adjusting the offer to current market conditions and needs. The offer was extended by, among others, home mortgage loan, and construction and mortgage loan with the guarantee of BGK, thus enabling clients to finance up to 100% of the value of their property, loan period extended to 35 years, loan option with an interest rate based on a periodic 5-year fixed rate, and an attractive new life insurance offer.

In 2022, the cooperation with the PZU Group was extended to grow the bancassurance offering. The Bank extended its offer by adding the following solutions:

- **Świat Inwestycji Premium II** - voluntary life insurance with unit-linked insurance;
- **Pewny Profit** - individual life insurance and endowment insurance;
- insurance package for the new **Credit Card with Bison**, which provides policyholder or return of goods paid for by card;
- life insurance for the mortgage loan – which can be purchased for a new or existing loan;
- motor insurance – available for clients in the omni-channel process, offered both by PZU and LINK4.

#### Pekao TFI

The Pekao Mutual Fund Management Company (Pekao TFI) is member of the Pekao Group. It is the oldest mutual fund management company in Poland. Pekao TFI provides clients with modern financial products and offers opportunities

to invest in the largest capital markets on the globe. For many years it has been devising savings programs, including programs affording an opportunity to put aside more money for retirement under the third retirement pillar. Pekao TFI also offers portfolio management services and Employee Capital Schemes (ECSS). The company is in the ECS records and its offering is available also through the mojeppk.pl portal.

As at 31 December 2022, the net asset value of Pekao TFI’s investment funds (including Employee Capital Schemes) totaled PLN 19.2 billion, down by PLN 1.1 billion or 5.5% compared to the end of December 2021.

#### Alior Bank Group

The Alior Bank Group is headed by Alior Bank. Alior is a universal deposit and credit bank, providing services to natural persons, legal persons and other domestic and foreign entities. The bank’s core business comprises maintaining bank accounts, granting cash loans, issuing bank securities and purchase and sale of foreign currencies. The bank also conducts brokerage activity, provides financial advisory and intermediation services, arranges corporate bond issues and provides other financial services. Alior Bank has been a member of the PZU Group since 2015.

Alior Bank provides services predominantly to customers from Poland. In 2017, Alior Bank opened a foreign branch in Romania, offering retail banking products and services. The percentage of international clients in the overall number of the bank’s clients is low.

At the end of Q3 2022, Alior Bank was the 8th largest bank in Poland in terms of the value of its assets.

#### New products and services

The year 2022 was mostly dedicated to work on optimizing the existing and introducing new solutions for **Alior Online** and **Alior Mobile**. These efforts were correlated with the current strategy of Alior Bank and increasing revenue from the Internet and mobile channels. The bank continuously strives to improve the appeal of its flexible personal accounts offering by adding special options for key client segments (medical bundle, discounts and additional services for players).

Alior Bank remembers about its youngest clients, and so it started the remote process of opening the account for young clients. The process is dedicated to minors who are not yet clients of Alior Bank or already are clients and have a relationship to an adult client.

Since March 2022, Alior Bank regularly makes available its special offer “Weekendowe okazje” (Weekend opportunities). It is aimed at clients using online and mobile banking. This meets the needs of clients looking for a loan with 0% commission. In addition, from September 2022, clients using mobile banking can take advantage of a dedicated **Mobile Loan** offer. Since November, the Bank has also made available an attractively priced **Birthday Loan** for clients using mobile channels.

In 2022, the Bank continued to offer cash loan Clean Air (first introduced in 2021) linked to a subsidy granted under the **Clean Air** program of the National Fund for Environmental Protection and Water Management.

In February and March 2022, under the cooperation with BIK, the Bank introduced an offer in its stationary channels

“BIK alerts at Alior Bank”. This allowed clients to access detailed information on their loans and obligations but also scam attempts using their data.

The difficult situation caused by external factors including, among others, rising interest rates, the outbreak of war in Ukraine, and the rising cost of living affected demand for mortgages in 2022. As part of additional activities in the product area, at the end of the year, the Bank launched the **Light Start** offering with interest rates based solely on a benchmark index in the first year of the loan, and extended the loan term to a maximum of 35 years. Parallel to its activities in the product area, the Bank decided to initiate changes in system and process areas.

In 2022, continuing to develop its deposit offer, Alior Bank introduced the **Mobile Deposit** for clients activating their Alior Mobile app and Nestor Deposit for 60+ clients for the first time.

In January 2022, continuing to develop its bancassurance product offering in cooperation with PZU Życie, Alior Bank offered its clients individual life insurance with unit-linked insurance – **Multi Kapitał II**. The product allows clients to enter into an individual life insurance contract, and have access to a number of unit-linked funds with different investment strategies, geographic region of investment, profit potential and level of investment risk. Owners of business accounts were offered ADD insurance and health care of PZU.

A new method was implemented to secure documents with data subject to bank confidentiality sent to customers as an attachment in an e-mail. In addition to previewing, clients now also can set their individual password to open attachments sent via e-mail. In order to increase security

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new changes were introduced – the method of subsequent logins to online banking using strong authentication, and the process of specifying the client's browser as trusted at the aforementioned logins.

In 2022, in connection with the war in Ukraine, the bank developed an offer for Ukrainian citizens. It included online and mobile banking in Ukrainian, and product documentation for clients who do not speak Polish. A Basic Payment Account for Ukrainian citizens was also introduced to the offer for refugees who did not have the required identity documents needed to open a standard account. This account has a limited functionality only a needed for basic daily activities.

The bank's efforts also focused on introducing a number of facilities and solutions for business customers. In 2022, Alior Bank offered:

- **ADD insurance and health care provided by PZU** – offer targeted at businesses in all segments of the market. Entrepreneurs can insure themselves, their family members, their employees and their relatives. Depending on the selected variant, PZU arranges medical benefits and covers their costs in case of illness or required treatment after an accident;
- bonuses for users of the **Mastercard with Plus** debit card;
- **deposits with higher interest rate** – deposits were introduced with fixed interest rate of 2.5% per annum for two months and 4% per annum for 5 months;
- special offer of **the 4x4 account for Ukrainian enterprises** and one-person businesses operated by Ukrainian citizens – this offers includes exemption from fees for maintaining the basic account, online transfers to the Social Insurance Institution (ZUS) and the Tax Office, and bonuses of even up to PLN 1,500 per year for active use of the banking services. Additionally, the bank decided not to charge monthly fees for maintaining an auxiliary account in PLN and foreign currencies, the use of a company debit card, and fees for domestic, cash, foreign and savings packages. A refund of fees for transfers made to Ukraine was also introduced;
- contactless payments **Xiaomi Pay** – this offer adds to the list of mobile payments; it allows the user to make contactless payments with Mi Smart Band 6 NFC, Xiaomi Watch S1 or Xiaomi Watch S1 Active;

- **Fast Track** – offer of financing for medium and large enterprises with the credit decision taken already in 4 working days. The Fast Track can be used to finance up to 10% of the annual sales revenue generated by the enterprise – a maximum of PLN 10 million.

#### Alior TFI

Alior Towarzystwo Funduszy Inwestycyjnych or Alior TFI (formerly Money Makers) is part of the Alior Bank Group. The company was established in 2010 and its operations, originally as a brokerage house, focused on asset management services. Following a transformation, from July 2015, it has been operating as a Mutual Fund Management Company.

Alior Bank's cooperation with its subsidiary Alior TFI comprises primarily the company's core business, i.e. development and management of mutual funds and representing them vis-a-vis third parties.

### 3.5.3. Distribution and customer service

#### Pekao Bank

#### Distribution channels

The bank's customers can use a broad network of branches and ATMs, which provides convenient access throughout Poland, as well as a professional call center and a competitive Internet banking and mobile banking platform for individual and corporate clients, and for small and micro businesses.

As at 31 December 2022, the bank had 597 own branches and 1,328 own ATMs.

#### Online and mobile banking

In 2022, Bank Pekao consistently executed the digital transformation process, comprising initiatives focused on development of sales and improvement of the quality of service in the remote channels, automation and robotization of the processes and enriching the offering to include state-of-the-art digital services.

In 2022, Bank Pekao added numerous new solutions and options to its online banking Pekao24, **PeoPay** and **PeoPay Kids**, for instance:

- an account can be opened by individual customers and for one-person businesses with the **mObywatel** (mCitizen) app in the process of online identity verification ("selfie");
- remote card handling – clients can assign and change the PIN to a credit card, temporarily block or completely block a credit card, order a new one, change the limit of an additional card for **Credit Card with a Bison**, verify online debit card data,

- new applications can be submitted for social and aid benefits (300+, 500+, RKO – Family Welfare Capital), including applications for Ukrainian citizens;
- payments can be made for parking in paid parking zones and the option of purchasing public transport tickets is extended to include the **GZM Metropolises** (covers 41 cities);
- Under **Open Banking**, services were implemented and developed to access information on payment accounts held with other banks (so-called AIS) such as balance and transaction history; now, it is easier to apply for a loan, overdraft or credit card, track account balances and order transfers from accounts at other banks (so-called PIS), and also confirm identity for the purpose of a new installment process and prospects applying for a cash loan;
- mortgage loan can be partially repaid, and the principal and interest installments on a mortgage loan can be suspended, including the so-called "credit vacations";
- new notifications for standing orders, BLIK, statuses of payment orders and official requests, and notifications of receipts;
- option to purchase **Treasury Bonds** and automobile insurance;
- redirection to processes and services in electronic channels from web services, which will shorten the purchase path and increase sales in remote channels;
- availability of a number of new transfer orders/certificates for microenterprises and the individual client, including, among others, certificates of the overdraft limit (full repayment and closure of the limit and the amount of the current debt), closure of a savings account, notification of a client's death, and other;
- implementation of functionalities to help the client manage their budget: suggested payments, option to repeat a transfer directly from the history of operations, presentation of the status of payments at risk, prediction of Direct Debits and Pekao Transfer Order;
- access to the **PeoPay** app for the clients of the Brokerage House – clients who have the Pekao24Makler service but do not have an account with the bank can use PeoPay;
- implementation of PeoPay demo to show all the options of the bank's mobile app; the demo is used in sales processes to present the bank's mobile offer to clients;
- BLIK service for the youngest clients in the **PeoPay Kids** app and new options especially for children: introducing gaming skins in the PeoPay Kids app and gaming card images; making the PeoPay app available for teenagers.

In 2022, Bank Pekao introduced a new mobile app for enterprises – PeoBIZ. It offers a new interface and a wide scope of functionalities, for instance,

- save login with **Touch ID / Face ID**;
- quick check of the finances and turnover on the account;
- expanded functionality of domestic transfers: transfers to the phone, Express Elixir;
- transfer to phone – the option to make a transfer in the mobile application to the phone number of an individual (e.g. contractor, client, company employee).

In addition, electronic banking clients can use new functionalities, such as:

- changing or supplementing payment instructions for foreign exchange transfers;
- adding or modifying authorizations in the **Pekao Trade** service;
- presenting data of the customer service team with an up-to-date list of direct contacts to individual bank employees;
- faster viewing of transactions carried out with the bank's cards.

#### Alior Bank

#### Distribution network

At yearend 2022, Alior Bank had 534 outlets (168 traditional branches, 7 Private Banking branches, 13 Corporate Banking Centers and 346 partner centers). The bank's products were also offered in the chain of 10 mortgage centers and a network of roughly 3 thousand intermediaries. The Bank also conducts its business through a Branch in Romania, where customer service is provided through remote channels.

By the end of 2022, Alior Bank upgraded its 74 branches to the new format. The role of the new branches is primarily to digitize clients and branch processes, provide convenience and privacy for clients, and improve bankers' convenience. The distinguishing features of these branches include their innovative design and the use of modern technologies.

Alior Bank's traditional branches are located throughout Poland, in particular in cities with more than 50 thousand residents. They offer the full range of the bank's products and services. Partner centers are located in smaller towns and in selected locations in Poland's major cities. They offer a broad range of services and deposit and credit products for retail and business clients.

### 3. Business

Cooperation between the bank and its partner centers is based on an outsourcing agency agreement. Agents provide exclusive agency services to the bank in respect to the distribution of products. These services are provided in locations owned or leased by agents approved by the bank. The bank's products are also offered through the networks of financial intermediaries.

Alior Bank also uses distribution channels based on a modern IT platform incorporating: online banking, mobile banking, call centers and the DRONN technology. Using the Internet, the bank makes it possible to enter into agreements for: savings and checking accounts, currency accounts, savings accounts, deposits, debit cards and brokerage accounts. These channels are also used to accept applications for credit products: cash loans, credit cards, overdraft limits and mortgage loans. Using the Internet, the bank also offers installment loans in an on-line process and offers services of a currency exchange office.

#### Online and mobile banking

The year 2022 was mostly dedicated to work on optimizing the existing and introducing new solutions for Alior Online and Alior Mobile. These efforts were correlated with the current strategy of Bank and increasing revenue from the Internet and mobile channels.

In relation to this, further new features and a number of changes were also implemented in both online and mobile banking regarding the appearance and handling of the products Alior Bank offers.

The year 2022 was a landmark year in the technological development of applications Alior Mobile. Following the expectations of users of the **Alior Mobile** app, further options of personalization were added. For instance, it is possible to set the login screen background or select the screen mode (light, dark or auto). Also, it is possible now to personalize the Payments and Services tab, and a My Cards section was added to the Products tab.

Moreover, **Alior Online** and **Alior Mobile** now have information about an expired/valid ID document visible after logging in, along with the option to go directly to the RP ID Card data update form.

In order to increase security new changes were introduced – the method of subsequent logins to online banking using strong authentication, and the process of specifying the client's browser as trusted at the aforementioned logins.

In 2022, Alior Online banking was extended by adding **MojeID**. It is a secure online identity confirmation tool for commercial and public services. It enables the completion of many formalities that previously required personal authentication of data electronically. The MojeID service may be used by every adult client as long as the supplier allows such a form of entering into agreements and confirming identity.

Alior Online and Alior Mobile added a new Ukrainian language version, thus allowing easy access to the account through remote banking for clients from Ukraine. Online banking Alior Online and mobile banking Alior Mobile are now available in four languages: Polish, English, Russian and Ukrainian.

Alior Online made available the service to make applications for 500+ for children from Ukraine. Those who arrived legally from Ukraine to Poland after February 23, 2022 due to war and remained in Poland had the option of submitting the applications.

In addition, a new My Accounts service was implemented on both platforms. It is used to manage all payments in one place. This gives clients the ability to pay electricity, gas and other bills with a single click. Alior Mobile added a new functionality in the form of a Payment Basket, where the client can add various transfers and approve them with a single authorization.

The bank also introduced the option to pay with an inactive debit or credit card. An inactive card can be added to a virtual wallet, for instance Google Pay or Apple Pay, in Alior Mobile, and use it to make payments. The details screen of an inactive card can be used to change the PIN and limits, block, cancel or close the card. The card is activated upon physical receipt.

Clients of Alior Bank can also use Alior Online to apply for the IRA and IRSA brokerage accounts. Online banking now has the option to make an own transfer to an IRA/IRSA account that the customer owns or is authorized to use.

The bank also gave the clients the option to manage their consents for marketing of PZU Group companies through Alior Online and Alior Mobile.

In December 2022, Alior Bank offered Alior Pay, a service with a credit limit (up to PLN 3,000) to defer payments made with a card, BLIK in stationary and online stores or by transfer from an account with Alior Bank. Now, Alior Pay can be used by clients of Alior Bank who have a savings and checking account and receive an invitation in the form of a push notification to their cell phone.

For clients' convenience, paperwork was reduced to a minimum, and the limit is applied for only once.

In 2022, Alior Bank was working on new digital banking for business clients. In 2022, the bank entered into an agreement with COMARCH to introduce and manage its system. The project is scheduled to be implemented between 2023 and 2025. The new online banking will be based on four main pillars:

- active mobile application,
- client self-service,
- ERP class system,
- modern platform www.

#### 3.5.4. Factors, including threats and risks, that may affect the operations of the banking area in 2023

Major risk factors include:

- the outlook for the economy, which will affect demand for banking products and changes in the cost of risk;
- the tax and regulatory environment, including in particular the existence of a tax on certain financial institutions, high equity requirements, contributions to Bank Guarantee Fund (BFG), costs of further adjustments to numerous regulatory solutions (e.g. MIFID II, GDPR, PSD II, MREL);
- the institutional environment, especially foreign currency mortgages, as well as potential rulings by the Court of Justice of the European Union, the Supreme Court or other state institutions in this regard;
- credit vacations and mortgage loans offered at 2% interest. The burden of the former was observed in Q3 2022, and this factor will remain present in 2023 as well. For each quarter of the year, borrowers will be entitled to one month of credit vacation. Mortgage loans with an interest rate of 2%, on the other hand, are a solution offered to people up to the age of 45 who do not have and have not had an apartment, house or cooperative right to an apartment or house. The maximum value of such a loan is PLN 500,000 for a single person and PLN 600,000 for a married couple or parents with a child. For 10 years of loan repayment, the government will subsidize the loan installment, and the subsidy will cover the difference between the actual interest rate and the 2% offered;
- reform of the reference index, i.e., replacing the WIBOR index with WIRON.

### 3.6. Other areas

#### Changes in the structure of the PZU Group

PZU as the parent company, through its representatives in supervisory bodies of subsidiaries and voting at their shareholder meetings, exerts an impact on the selection of strategic directions regarding both the scope of business and the finances of the Group members. As selected companies focus on their specialization, they provide services to each other at an arm's length basis, using the internal cost allocation model within the tax group.

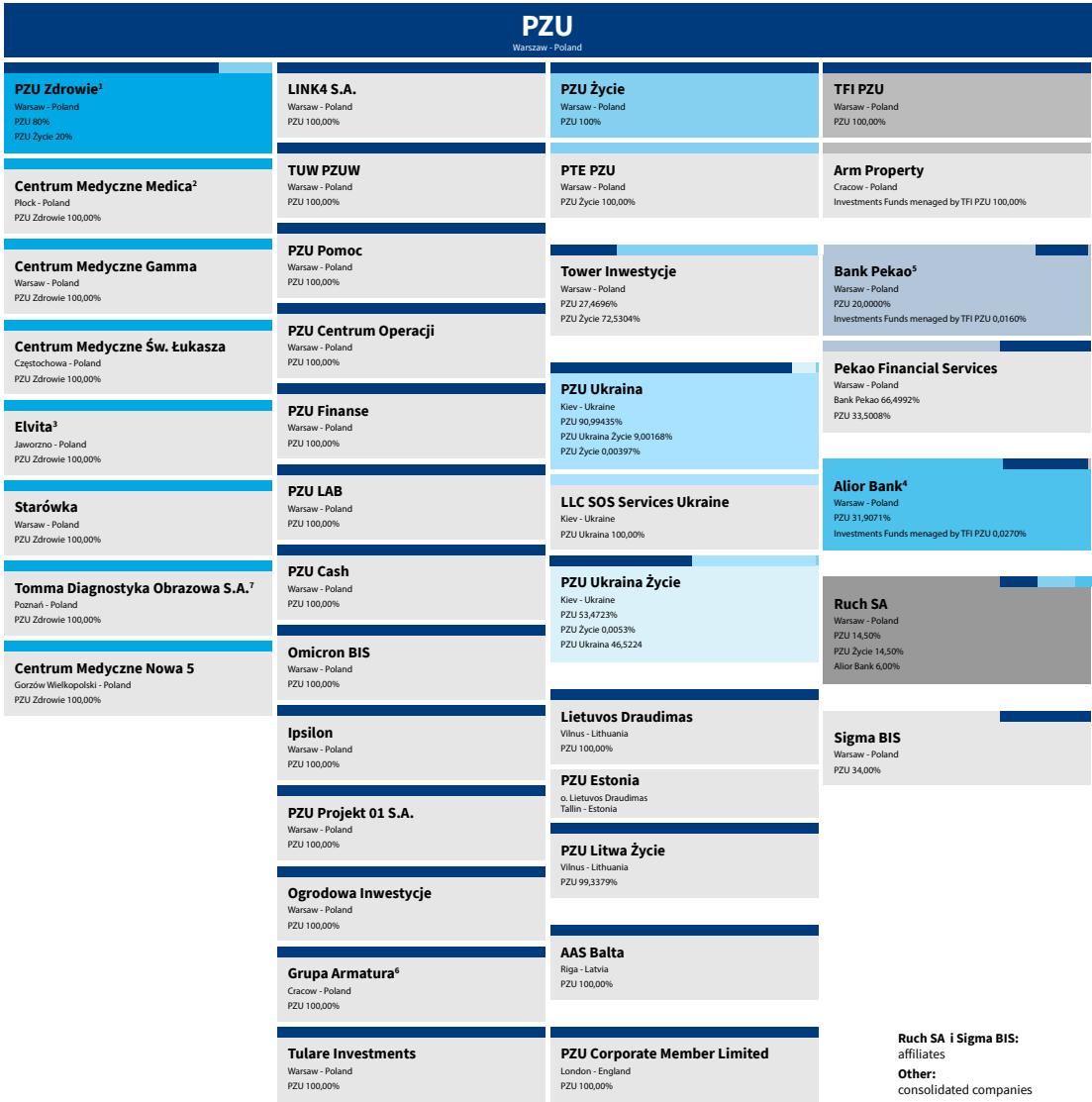
The following changes transpired in the structure of the PZU Group in 2022 up to the date of publication of these financial statements:

- As a result of the deal struck in January 2022, in the shareholder structure of PZU SA related party, PRJSC IC PZU Ukraine, as at the end of January 2022 compared to the end of 2021, changes occurred resulting in the following shareholding structure of PRJSC IC PZU Ukraine:
  - a) PZU – 90.994354%
  - b) PZU Życie – 0.003967%
  - c) PrJSC IC PZU Ukraine Life Insurance – 9.001678%;
- Trade Register struck Aquaform RO SRL off the register on 5 January 2022. The company has been liquidated with effect from 20 January 2022;
- On 31 March 2022, Bonus Diagnosta sp. z o. o. acquired 100% of the shares in Aura Medic Południe sp. z o.o.;
- on 15 July 2022, PZU acquired 100% of TFI Energia shares from PGE SA;
- on 9 August 2022, the Court registered the share capital of PZU Zdrowie, which was increased to PLN 56,104,550.00. Thus, the shareholder structure of this company changed, with 80% of the shares held by PZU and 20% held by PZU Życie;
- on 30 August 2022, an agreement was concluded between PZU Pomoc and GSU SA for the sale of 36,000 shares in GSU Pomoc Górniczy Klub Ubezpieczonych SA owned by PZU Pomoc. Acquisition of the aforementioned shares by GSU SA took place upon entry in the Shareholders' Register, i.e. on 7 September 2022;
- on 31 August 2022, Bonus-Diagnosta sp. z o.o. and Aura Medic Południe sp. z o.o. were merged, all assets of Aura Medic Południe sp. z o.o. were taken over by Bonus-Diagnosta sp. z o.o. Thus, as of 31 August 2022, the operations of Aura Medic Południe sp. z o.o. are continued by Bonus-Diagnosta sp. z o.o.;



3. Business

Structure of the PZU Group as of 31 December 2022



1) The following branches operate within PZU Zdrowie: CM FCM in Warsaw, CM Tarnów, CM Nasze Zdrowie in Warsaw, CM Medicus in Opole, CM Cordis in Poznań, CM in Warsaw, CM in Kraków, CM in Poznań, CM in Wrocław, CM Gdańsk Abrahama, CM Artimed in Kielce, CM Warsaw Chmielna, CM in Radom, CM in Łódź

2) The Centrum Medyczne Medica Group consists of the following companies: Centrum Medyczne Medica Sp. z o.o., Sanatorium Uzdrowskowie „Krystynka” Sp. z o.o. with its registered office in Ciechocinek

3) The Elvita Group consists of the following companies: Przedsiębiorstwo Świadczeń Zdrowotnych i Promocji Zdrowia ELVITA – Jaworzno III Sp. z o.o., Przedsiębiorstwo Usług Medycznych PROELMED Sp. z o.o. with its registered office in Łaziska Górne

4) The Alior Bank Group includes Alior Bank SA, Alior Services Sp. z o.o., Alior Leasing Sp. z o.o. (which holds 100% of shares in AL Finance sp. z o.o.(until 5 August 2021 – Serwis Ubezpieczeniowy Sp. z.o.o)), Meritum Services. ICB SA ,

Alior TFI SA, Absource Sp.z o.o., CORSHAM Sp. z o.o., RBL\_VC Sp. z o.o., RBL\_VC sp. z o.o. ASI S.K.A.

5) The Bank Pekao Group is composed of, among others: Bank Pekao SA, Pekao Bank Hipoteczny SA, Pekao Leasing Sp. z o.o. (which holds 100% of shares in PEUF sp. z o.o.), Pekao Investment Banking SA, Pekao Faktoring Sp. z o.o., Centrum Kart SA, Pekao Financial Services Sp. z o.o., Pekao Direct Sp. z o.o. (until 16 January 2020 – Centrum Bankowości Bezpośredniej Sp. z o.o.), Pekao Investment Management SA (which holds 100% of shares in Pekao TFI SA), Krajowy Integrator Płatności SA.

6) The Armatura Group is composed of the following companies: Armatura Kraków SA, AQ SA (until 15 July 2022 – Aquaform SA).

7) The Tomma Group is composed of the following companies: Tomma Diagnostyka Obrazowa S.A., Bonus Diagnosta Sp. z o.o.

The structure chart does not include investment funds or companies in liquidation or under bankruptcy.

- on 31 October 2022, an agreement was concluded for the acquisition of 1 share of Apdrošināšanas akciju sabiedrība "BALTA" by PZU. This means that as of the date of this transaction, PZU became the sole shareholder of Apdrošināšanas akciju sabiedrība "BALTA", and PZU's shares in Apdrošināšanas akciju sabiedrība "BALTA" amounted to 100%;
- on 2 November 2022, TFI PZU and TFI Energia merged;
- on 30 December 2022, PZU Zdrowie acquired 100% of the shares in Centrum Medyczne Nowa5 Sp. z o.o., with its registered office in Gorzów Wielkopolski.
- On 1 January 2023, the liquidation of AQ SA was opened.

Brief description of other PZU Group companies

PZU Pomoc

PZU Pomoc provides auxiliary services to PZU Group companies:

- managing the PZU repair network – at the end of 2022, the company cooperated with 828 repair shops;
- organizing motor assistance services for LINK4;
- conducting salvage auctions and sales after loss and damage incidents;
- supporting technical claims handling in motor claims;
- handling assistance products for PZU and PZU Życie (among others, legal consulting, organization of assistance services);
- managing the loyalty program, PZU Pomoc w Życiu Club - at the end of 2022, over 2.2 million club members were able to take advantage of insurance discounts and products of cooperating companies (rebate programs offered by partners).
- managing PZU Sport in the form of sports and recreation subscriptions, the PZU Benefits platform, and operating a loyalty program for individual shareholders of PZU called My PZU Shares.

PZU Cash

The line of business of PZU Cash is brokerage in granting cash loans in the form of an employee benefit. The brokerage operates through the Cash lending platform, while the proposal is presented by Alior Bank. The loan proposal is targeted at employees of those companies that have established cooperation with PZU Cash.

PZU LAB

PZU LAB is a company dealing with advisory services and assistance in implementation of all kinds of solutions

improving the security of the strategic corporate clients of PZU and TUW PZUW.

The company cooperates with numerous academic centers and experienced experts (local and foreign). Constantly seeks new and effective technological solutions to enable mitigation of the risks that have the greatest impact on the insurance activity.

The PZU LAB team has developed methods for cooperation with the existing and prospective clients. First, the engineers identify critical installation sites, simulate critical events such as fire, flooding or explosion, and determine their consequences. Then the possible scenarios and the methods of minimizing the negative consequences are discussed. Ultimately, PZU LAB engineers implement innovative technological solutions in client companies that are to improve their safety.

PZU LAB has implemented Poland’s first product certification system in property damage prevention. The purpose of the certification system is to improve the effectiveness of products deployed to ensure the safety of enterprises and thus to reduce the instances of damage and the scope of losses to company assets. Certified products are marked with the patented “PZU LAB Approved” logo.

The company conducts intense safety-related educational and promotional activities. At the initiative of PZU LAB, the Maritime Industry Safety Forum, the Energy Industry Safety Forum and the Wood Industry Safety Forum are held annually. Moreover, a series of training courses entitled “Pyramid of competences” was launched for all participants in the insurance market, aiming to increase the level of knowledge in risk management among businesses.

This approach signifies an evolution in client relations. PZU ceases to be only a seller of insurance and becomes a risk management advisor.

PZU Centrum Operacji

PZU Centrum Operacji provides services supporting the operation of PZU Group companies. It has been established to provide the following services: IT, Data Center, Contact Center, mass printing, HR and payroll-related services and auxiliary services related to insurance and pension funds, as well as constant intermediation in conclusion of insurance agreements, financial and investment agreements and assistance agreements.



### 3. Business

#### PZU Finanse

PZU Finanse Sp. z o.o. is a service company established to keep accounting ledgers for subsidiaries of the PZU Group (excluding PZU and PZU Życie).

#### Tower Inwestycje

The company's line of business is to invest available funds in real estate development initiatives, in particular in the construction of commercial properties.

Oławska 35 (Plac Dominikański) in a venue occupied for the past several decades by an office building owned by PZU. This investment is partially intended for the PZU Group's needs and partially for lease.

#### Ogrodowa-Inwestycje

Ogrodowa-Inwestycje Sp. z o.o. is the owner of the City-Gate office building at ul. Ogrodowa 58 in Warsaw and leases office space to external clients and PZU Group companies.

#### PZU Corporate Member Limited

On 28 September 2017, PZU acquired shares in PZU Corporate Member Limited, entitling it to 100% of votes at the shareholder meeting. The company is a member of Lloyd's, a market for insurance companies, brokers and agents, bringing together nearly 100 syndicates. PZU Corporate Member is handled by Argenta Holdings Limited agency, which deals with the ongoing activities of syndicates, invests their funds and employs underwriters.

#### Armatura Kraków

Since October 1999, the PZU Group has held an equity stake in Armatura Kraków and since November 2020, PZU has been the sole shareholder.

The business of Armatura Kraków lies outside the domain of financial and insurance services. The group is a leading manufacturer in the sanitary and heating industry in Poland. Along with its subsidiary Aquaform SA, it specializes in the manufacture of bathroom and kitchen taps, aluminum central heating radiators, a wide range of valves and sanitaryware.-



# 4.

## PZU Group Strategy in 2021–2024

- 4.1. PZU Group Strategy in 2021–2024
- 4.2. Opportunities and challenges 2021+
- 4.3. Strategic objectives
- 4.4. Strategy operationalization and selected achievements of 2022
- 4.5. IFRS 17 implementation
- 4.6. Indicators



Sustainable development, increase in key business markets, high profitability and regular dividends are the main goals of the PZU Group until 2024.



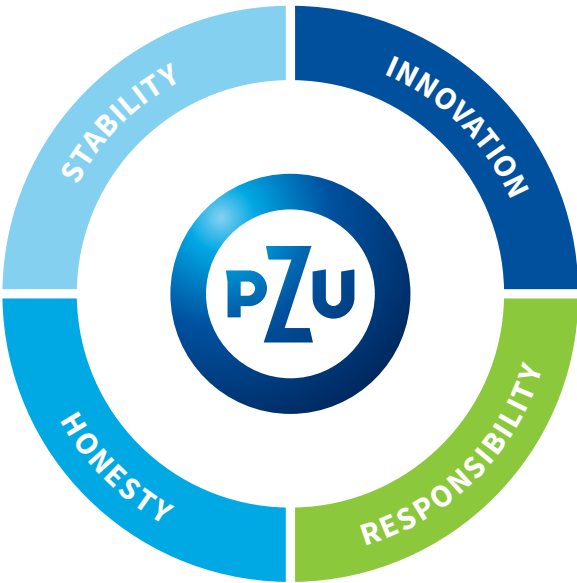
4. PZU Group Strategy in 2021–2024

4.1. PZU Group Strategy in 2021–2024

On 25 March 2021, the PZU Group announced its new Strategy “Potential and Growth”, which identifies the opportunities and points to the main strategic ambitions of the PZU Group for the years 2021-2024. The strategic assumptions refer directly to client needs, personalization and flexibility of the offer, and embedding of these requirements in specially created ecosystems. In order to achieve these goals, modern business models will be implemented while maintaining the principles of sustainable development, taking care of the natural environment, better quality of life for employees and clients, and involvement for the development of local communities. This area will be supported by the implementation of new technologies, innovation and further digitalization, which will allow us to better understand and satisfy the client’s needs in the shortest possible time using their preferred contact channels.

The strategy was built taking into account the PZU Group’s operating philosophy, which is based on four main values:

- **stability** – the strong PZU brand with traditions and a strong capital standing measured by a Solvency II ratio;
- **innovation**– using latest technologies and advanced analytics to automate and improve efficiency of processes;
- **honesty** – conducting business in an ethical manner, fulfilling commitments and developing a compliance culture;
- **responsibility** – caring for the needs of clients and employees and consciously managing its own environmental impact.



Sustainable development was made an integral part of the Strategy in response to social and environmental challenges. The document presents directions for action in three areas:

- #Trusted Partner in green transformation – support for low carbon economy and sustainable transition;
- #Better quality of life – encouraging the society to lead sustainable and safe lifestyle;
- #Responsible organization – building a modern organization managed responsibly.

With a sense of social responsibility, the Strategy also defines measures improving the situation of society as a whole in the areas of:

- health and active lifestyle – promoting a healthy and active lifestyle to change the habits of Poles and improve public health;
- safety and prevention – cooperation with and financial support for rescue institutions and organizations (such as Voluntary Mountain Rescue Service, Voluntary Water Rescue Service, Fire Brigade), involvement in local activities to improve safety and mold responsible and safe conduct;
- culture and protection of national heritage – supporting the most important cultural institutions and events and taking action to protect national heritage, which contributes to building national identity, respect for tradition, a feeling of belonging to the community and its history.

4.2. Opportunities and challenges 2021+

The Strategy was adopted under very specific conditions following the COVID-19 pandemic. When it was announced, macroeconomic forecasts assumed a gradual recovery of the global economy. During this recovery period, consumption, investment, GDP are expected to rise, while unemployment should drop. The COVID-19 pandemic also caused significant social changes, materially influencing the components of the company’s business model. In particular, the rise of remote working and remote sales channels was observed, coupled with deep changes in consumer behavior and needs regarding digital and mobile solutions.

Macroeconomic challenges

A new macroeconomic phenomenon, which became particularly outlined in 2022, was the weakening of the zloty and the intensification of inflationary impulses (oil and gas prices, food prices), which were measurably influenced by, among other things, the outbreak of war in Ukraine. According to Statistics Poland (GUS), inflation in December

2022 was 16.6%. The high consumer price index translates into rising costs of claims, both for repair materials and services, resulting in a decrease in profitability, above all, of communication products.

The increase in benchmark interest rates triggered by the above factors translated into higher bank profitability, but also into a sharp decline in consumer and business interest in credit. It is expected that higher loan instalments and also rising prices, including of gas and fuel, will weaken the condition of households, which may consequently translate into reduced demand for insurance products. The cost of the so-called credit holiday may negatively affect achievement of the banks' expected contribution to net income.

War in Ukraine

Due to the ongoing war, it is not safe to conduct business in Ukraine, and the strategy implementation by the companies in Ukraine bears many risks. Interest in insurance is secondary in the light of the ongoing armed struggle and the suspension of operations by many companies. The situation beyond Poland's eastern border has also had an impact on the weakening of the Polish currency, which means a deterioration in the trade balance, a higher cost of servicing foreign debt and thus, for consumers – an increase in the prices of imported products. This translates into a deterioration in the situation of both businesses buying from abroad and households.

Digitalization and digitization

The trend of technological development and digitization, which has been dominating in recent years, will continue to exist. It generates multiple possibilities which the PZU Group may make use of. As data analysis tools, machine learning, artificial intelligence, chatbots, virtual assistants, data mining are being developed and the possibilities of integrating sales channels (omnichannel approach) are emerging, the PZU Group will be able to meet clients' needs faster and better.

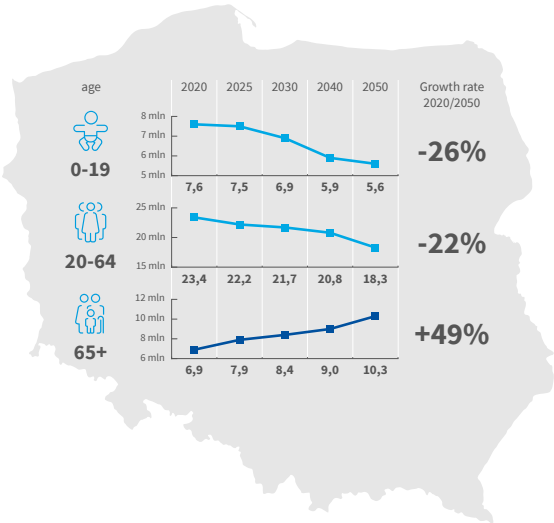
Better awareness of the environment and climate change impact

ESG factors and risk mitigation for sustainable development are becoming more and more important in business activity. Increased awareness of the issues of sustainable development and growing expectations in respect to climate action create an opportunity for the PZU Group to develop in new business areas. Development of the green energy sector offers a chance of increased demand for related insurance.

Demographic and social changes

Demographic trends are continuing to show an unfavorable decline in the population coupled with the simultaneous aging of the population, which is associated with a greater need to provide health care and long-term care to senior citizens. There is also a growing demand for protection products related to security and cybersecurity. Client needs are changing in the direction of increased personalization and customization of the offer. The use of social media in marketing and PR and the importance of remote sales channels are also rising.

Demographic and social changes



Source: Eurostat – Population projections (July 2020)

4.3. Strategic objectives

PZU Group Strategy in 2021-2024 sets out 4 main areas of ambition, in which the directions were set for strategic measures.

Area I – Stable dividend and growing gross written premium and revenue

- **Maintaining growth in key business areas**

**Insurance** – kept the leading position and increased gross written premiums to PLN 26 billion, i.e. by 10%.

**Health** – the fastest-growing company on the health care market; PZU Zdrowie increased its revenues to PLN 1.7 billion, i.e. by 80%.

**Investments** – increased assets under management to PLN 60 billion, i.e. by 82%.



4. PZU Group Strategy in 2021–2024

**Banks**– Alior Bank and Bank Pekao increased their contribution to the Group’s financial results to PLN 0.8 billion, i.e. by nearly 650%.

• **Maintaining cost discipline**

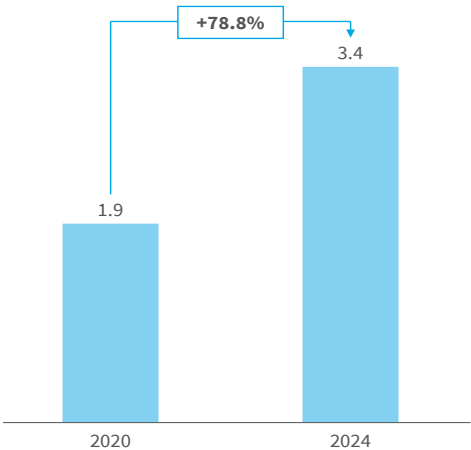
The PZU Group plans to maintain its cost effectiveness in the post-pandemic period by applying cost discipline, investing in digitization and digitalization, and by changing its work model to remote or hybrid working. The goal is to reduce the administrative expense ratio by 0.1 p.p. in 2024.

• **Bolstering the potential to generate a high level of net profit**

The Strategy assumes that with consistent measures carried out on all the markets where the PZU Group is present, at the end of 2024 it will be possible to generate the highest net

result since the time when PZU went public of roughly PLN 3.4 billion. This signifies an increase by approximately 79% versus 2020.

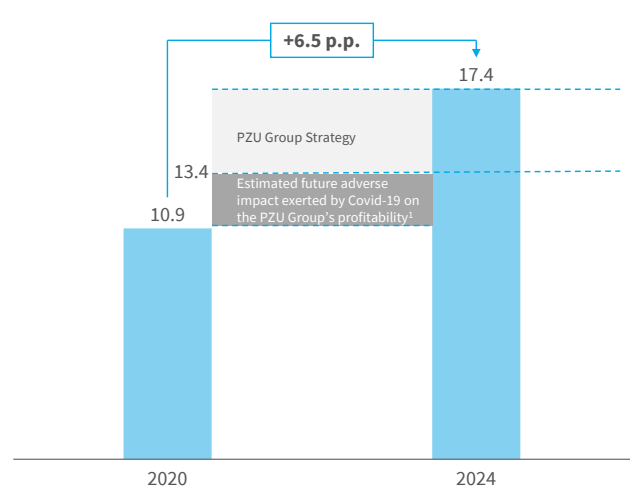
PZU’s net profit attributable to the parent company’s owners (billion PLN)



• **Delivering high business profitability**

Maintaining and improving high profitability of business is an important part of the Group Strategy. Despite the negative effect of the COVID-19 pandemic, the PZU Group plans to increase its return on equity (ROE) to 17.4% by 2024. This goal will be achieved as a result of a safe and sound business model predicated on business diversification, further streamlining of business, product and distribution processes.

Return on equity (ROE) (%)



1) Estimated temporary future impact on insurance activity

**Area 2 – Leveraging the PZU Group’s potential**

• **Effective utilization of databases and knowledge of clients**

The PZU Group plans to use knowledge about its clients even more effectively. It will enable the Group to develop a top-quality offering responding to real client needs. By harnessing the potential of databases, it will be possible to personalize the offering, as well as provide coordinated care of relationship managers at each stage of the process and acquire new clients. The Group’s strategic activities assume: harmonizing access to information sources and channels, rolling out analytical tools for machine learning and artificial intelligence, and incorporating them in our business processes.

Further utilization of the **potential in the client base** (especially in the PZU Group’s banks)

**Integrated** client approach

22 million clients



• **Maintaining an attractive dividend policy**

The PZU Group intends to generate above-average profits, which it plans to pay out annually in the form of a dividend. It will amount from 50% to 100% of the consolidated annual profits.

Dividend policy in 2021-2024

Distribution of consolidated net profit in 2021-2024		Allocation of retained earnings
Disbursement of the annual dividend or retained earnings	≤ 20%	Capital possibly retained to cover the additional needs stemming from growth in the magnitude of business
	≤ 30%	Achievement of the targets in the PZU Group’s Strategy through mergers and acquisitions
Level of dividend payout from consolidated profit <sup>2</sup>	≥ 50%	

2) PZU’s net profit attributable to the parent company

**Cooperation** distribution channels

**Extensive and personalized offer** of products customized to clients’ needs and expectations



4. PZU Group Strategy in 2021–2024

Development of business collaboration with banks and strategic partners

Together with Bank Pekao and Alior Bank, the PZU Group plans, within the time horizon of the strategy, to achieve cumulative gross written premium of about PLN 3 billion, by reaching the banks’ clients with a comprehensive and unique offer of combined insurance and banking products. It plans to broaden the PZU Cash offer, strengthen the insurance position on the energy market and develop cooperation with strategic partners operating on the e-commerce market.

Utilization of all distribution channels

Through an omnichannel approach, the PZU Group wants to reach clients through various distribution channels suited to their needs and preferences. Clients will receive access to a broad range of modern products, including life and non-life insurance as well as health, investment and banking products customized to their evolving needs at every stage of their life.

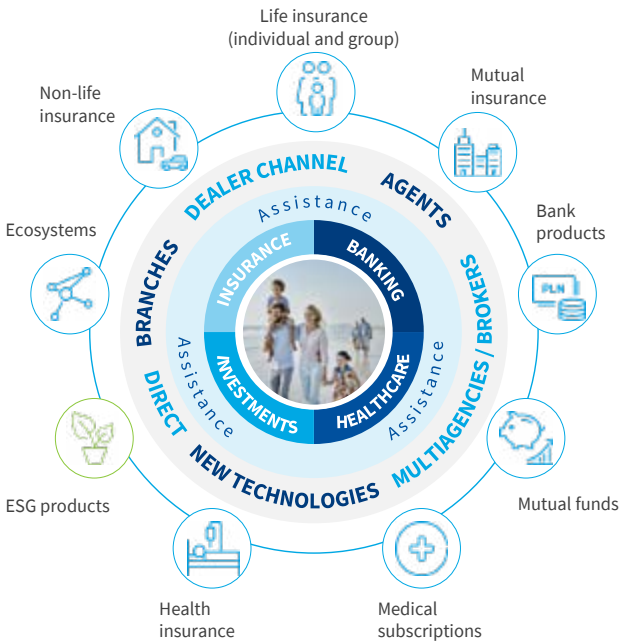
Introduction of a modern claims and benefits handling process using new technologies to automate and accelerate processes and reduce costs

Recognition of damage on the basis of photos

Utilizing artificial intelligence makes it possible to fully control and audit losses in which the payment will be accepted automatically.

Automatic data reading from documents

This system processes unstructured documents into a digital format, then it finds the data on the basis of a learned AI model.



AI in the agent application

This solution enhances the quality of insurance documentation already at the stage of its collection thereby reducing the cost of verification.

Using robots to search for a service provider

On the basis of a client’s location data the robot will find the road assistance unit that is the closest and may fill the order the fastest. It checks its availability and transmits information regarding the client’s location.

Integrated CRM

Activation of the branch potential

- Flexible sales service – customized to clients’ preferences
- More than insurance – extended offering in branches

Modern agency channel

- Modern approach to recruiting agents
- Varied support for agents customized to their needs
- Support for agents through other sales channels
- Further development of modern and digital tools for remote sales and contacts with clients

Accelerating the development of the digital channel

- Developing digital marketing and personalizing offers
- Continuing the development of the mojePZU internet platform
- Developing digital communication tools to support sales



Profitable growth in multiagencies and the dealer channel

- Strengthening network management structures
- Technological changes
- Enhancing the product portfolio
- Coordination of PZU - Link4’s activities

New sources of value in the corporate segment

- Building and maintaining long-term relations with clients by developing support services
- Increasing the effectiveness of sales – digitalization of sales and aftersales processes
- Actively managing relations with brokers

Affinity, Bancassurance

- Further development of cooperation with e-commerce partners
- Focusing on the acquisition of new clients
- Extending the portfolio of products in banking channels

Anonymizing photos

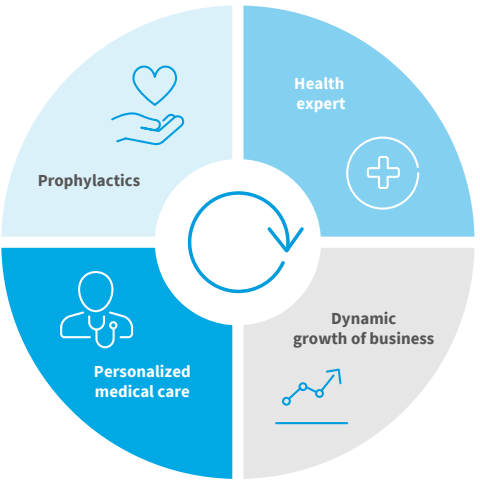
The model supports the process of preparing photos to put post-accident vehicles up for auction, thereby reducing the work done on manually handling photos.

Automatic segregation and classification of e-mails

Utilizing artificial intelligence in the process of segregating PZU’s incoming e-mail correspondence will increase the speed and efficiency of service and reduce costs.

New approach to health care in Poland

The PZU Group emphasizes building health awareness and preventing diseases. The offering will include top quality personalized medical care services. By achieving these goals while keeping the business profitable, the Group wants to grow faster than the market and earn the leading position on the private health care market.










Area 3 – Innovative financial group

The PZU Group is developing the latest technologies in all areas of its activities:

- **digitalization and streamlining of processes** – we continue to implement solutions for clients that are simple, intuitive and universal;
- **use of AI, Big Data and advanced analytics** – implementation of new technologies should lead to improved operating efficiency and profitability of business, among others through automation and streamlining of decision-making processes;
- **mobility and omnichannel approach** –utilization of new digital distributions channels to supplement the traditional ones;
- **cloud computing** – support for technological transformation, including greater efficiency of the infrastructure;;
- **cybersecurity** – protection of our IT networks; introduction of tools for estimating cybersecurity risk in the financial sector.

Area 4 – Sustainable growth

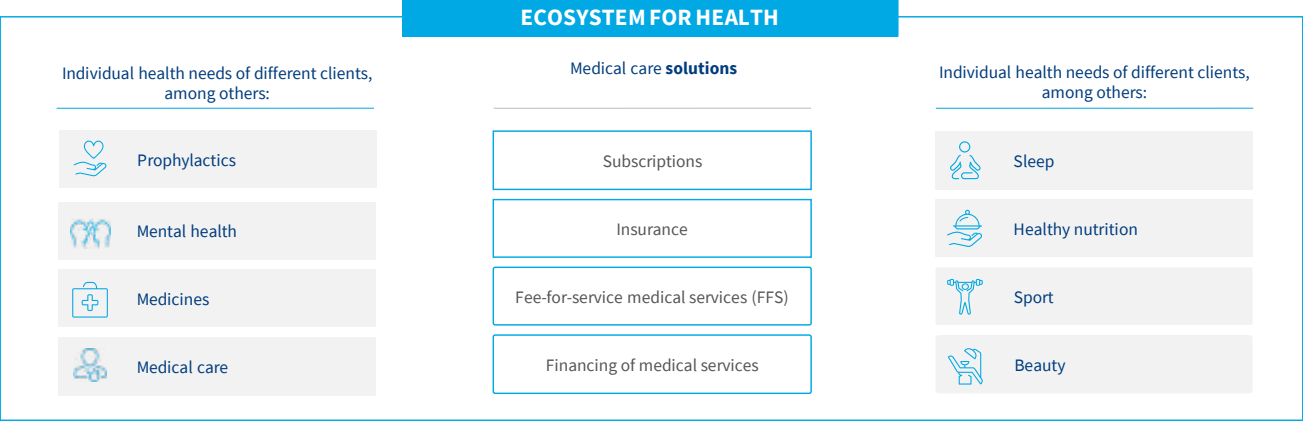
The results generated by the PZU Group place it in the top group of the most profitable institutions in Poland and Europe. However, the measures of the PZU Group's business success are not only financial results, but also achieving them in a sustainable manner, which is the commitment assumed by the PZU Group towards its shareholders and clients. Fulfilling this commitment is possible because we do business with an eye to environmental conservation while showing our respect for social issues and acting in accordance with the best practices in corporate governance. The PZU Group understands that the financial capital is not the only type of capital needed to do business and generate robust results; therefore, it puts natural,

	 <b>#Responsible organization</b>	 <b>#Trusted Partner in green transformation</b>	 <b>#Better quality of life</b>
	We build a modern organization, which is managed responsibly	We support the development of a low-emission economy, contributing to sustainable transformation	We encourage communities to adopt a sustainable and safe lifestyle
<b>Our ambitions</b>	Employer promoting responsible leadership and responsible attitudes among Employees Trusted Partner in business promoting the sustainable development idea	PZU Group developing an insurance offer supporting climate and energy transformation Responsible investor supporting safe and sustainable transformation Green organization operating on the basis of sustainable decision-making and governance processes	Responsible partner supporting safety in local communities Trustworthy guide to a sustainable lifestyle
<b>Sustainable development goals</b>	   	  	   





4. PZU Group Strategy in 2021–2024



# Ecosystem – drivers

It is an extensive ecosystem that provides in-depth assistance, including support for buying or selling a car, vehicle health checks, possible repairs and legal assistance, discounts on services from Group partners, arranging a replacement car, among other things. All services are available in one place, through secure and user-friendly digital tools. The platform for drivers is available to anyone, even those without insurance. Technological works are underway to launch further services: tire service, window service and towing. Also, an automotive blog will be created. Next steps in the development of the ecosystem include the introduction of a repair history and access to loyalty programs.

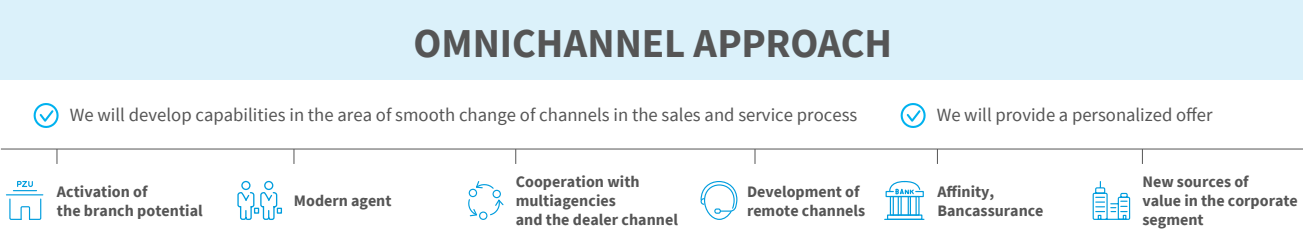
# Ecosystem for Health

In the health area, the PZU Group offers services relating to healthy nutrition and physical activity, preventive medical testing and full medical care – in the form of insurance, subscriptions or for fee services. The system will include teleconsultations and remote patient monitoring and household treatment while at the same time giving all of the interested parties rapid direct access to physicians in PZU Zdrowie’s proprietary outlet network that is constantly growing and undergoing integration. In 2022, the PZU Zdrowie offer was extended to include family and partner packages as well as subscriptions for seniors and young adults. PZU Zdrowie also made it possible for clients to pay in instalments when they buy medical packages through the mojePZU portal. The new method consists in paying for some of the services of the medical operator with a credit offered by Alior Bank. In addition, a PZU Zdrowie e-store was launched. Individual clients may use it to purchase convenient medical packages for themselves or their families. The e-commerce offer of the medical operator includes: subscriptions, test packages and individual appointments, which are available throughout Poland in the chain of PZU centers.



• Special offer for seniors

To address the challenges associated with demographic shifts, the PZU Group is introducing an offer to improve the well-being of seniors. The final offer will include the following: insurance corresponding to their expectations in terms of scope and sales and service channels, medical services with special emphasis placed on remote care at home and treatment in health spas, special safe bank and investment products and also a package of services to support seniors in their day-to-day life and community activities: ranging from assistance in traveling to see a physician, delivering medicines, organizing physical therapy, to household repairs or participation in sports classes and courses. The works completed in 2022 included the implementation of “67+ Medical Package” to help adults take care of their health and take precautions in case it may deteriorate. PZU branches were the first in the insurance industry in Poland to receive the International Quality Certificate OK SENIOR® – a recognition



granted by OK SENIOR® Polska in cooperation with the National Institute of Senior Economy.

• Introducing an integrated approach to all distribution channels

In order to improve contacts with clients, the PZU Group takes measures to introduce a solution based on the omnichannel approach. It entails development of hybrid service paths in the service and sales process. Digitalization of sales and post-sales processes will ensure an increase of their efficiency and create a new channel for the activation of agents.

• Leveraging the potential of PZU Group companies

**LINK4** – will generate a growth in the gross written premium of over 22% (up to PLN 1.3 billion) until 2024 thanks to, among others, further consistent digital transition. Analytics will be a source of growth and savings in marketing processes, sales, claims handling and better client management across all channels (omnichannel approach). This will also translate into an increase in LINK4’s share in the TPL market to over 6 percent and, as a consequence, an increase in the property insurance market share to approx. 3 percent.

In 2022, LINK4 extended its distribution channels and launched motor policies through Bank Pekao and in the Santander Bank comparison tool. At the end of 2022, the gross written premium of LINK4 amounted to PLN 1.2 billion.

**TUW PZUW** - an increase in gross written premium by approximately 62% to about PLN 1 billion by 2024, which will translate into 2.3 percent of additional market share for the PZU Group. The assumed increases will be achieved thanks to, among others, operating and cost efficiencies. New products will also be introduced, among others in the cybersecurity area.

In 2022, TUW PZU reached its strategic objective for 2024 two years ahead of schedule, and exceeded PLN 1 billion in annual written premium.

**Bank Pekao and Alior Bank** – an increase in revenues from insurance and banking cooperation by approx. 200 percent, measured by written premium growth (during the term of the Strategy for 2021-2024) compared to the term of the previous Strategy (2017-2020). This means growth of the cumulative gross written premium in cooperation with banks

up to approx. PLN 3 bn. This will be achieved by using the potential of the database of 22 million unique clients and providing them with extended comprehensive insurance and banking offer adapted to their needs, including, among others, motor, protection, credit, property, travel, leasing and group insurance.

As part of the cooperation between PZU and banks within the Group, Pekao Bank clients receive a credit card together with insurance of their purchases, Internet transactions and travels. They can use it to get reimbursed for goods purchased with a credit card in the event of damage, destruction or loss. PZU also offers its clients reimbursement of purchase costs if they shop online, paying with their card, and the goods turn out to be, for instance, defective or different from the order, and a client is facing difficulties in recovering money from a seller. Bank clients may choose between three packages: Standard, Gold and Platinum, which may be flexibly changed in the PeoPay app. The Golden and the Platinum packages offer the clients travel insurance in Poland and abroad, as well as additional benefits which Pekao Bank grants to make the travel easier. Further, PZU motor policies are available at Bank Pekao through its branches, online banking – Pekao24 and mobile app – PeoPay. Other than the PZU offer, Bank Pekao also makes the LINK4 motor insurance available – in the form of a mini comparison tool of two insurance companies.

In 2022, PZU Życie launched two new products: Pewny Profit (Reliable Profit) at Bank Pekao and Bezpieczne Jutro (Safe Tomorrow) at Alior Bank. They guarantee rate of return in the bancassurance channel, making use of the potential generated by high interest rates.

• Implementing new technologies in the claims and benefits handling process

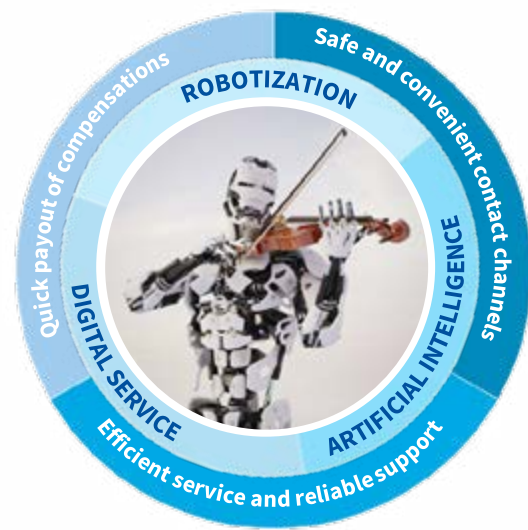
Through developing technologies such as artificial intelligence, robotization and big data, ultimately it will be possible to automate the claims and benefits handling process. Progress in this area will help satisfy client expectations and strengthen our competitive edge.

PZU was the first insurer in Poland to offer its clients innovative tools based on artificial intelligence (AI) to handle motor claims. The AI assistant prepares the initial repair cost estimate based on photos uploaded by the client via the app, which greatly enhances the claim estimation process. PZU





# 4. PZU Group Strategy in 2021–2024



used the AI assistance to handle over several thousands of motor claims amounting to several billion pln.

• **Comprehensive, efficient and friendly customer service**

The PZU Group keeps improving its claims and benefits handling procedures. Adapting to clients' new expectations will help ensure agile and friendly service processes. Access to an extensive vehicle repair network, an efficient service process and a quick disbursement of indemnification or benefits solidify the PZU Group's position as the most reliable insurer on the market.

Clients may use the mojePZU portal to, for example, purchase a policy, check their current insurance cover, report a claim and check its status, make a doctor's appointment. It is continuously developed and supplemented with new functionalities and services, for instance, in sales of insurance products and renewals, handling claims and benefits, and in areas of health and investment. At the end of 2022, the mojePZU portal was used by more than 3.3 million users.

• **Revolution in the private health care market**

The PZU Group wants to become a comprehensive medical advisor through a revolutionary approach to medical care. Owing to the Group's fresh and more proactive client relationship management model and improved sales of subscriptions and occupational medicine examinations (also in the form of telemedicine consultations), revenues will increase and relationships with clients will become even stronger. The Group's comprehensive offering of health insurance and related products within the Ecosystem for Health will help reach a greater number of individual clients. The Group's involvement in health education, active presence in social media and top quality of customer service improve awareness and image of the PZU Zdrowie brand. In addition



to the implementation of the new model, the Group plans to cooperate with the external health care system and integrate its internal medical centers. In 2022, the actions focused on extending the offer by adding new medical packages and opening new medical centers in Łódź, Gdańsk and Kraków.

• **Further growth in the Baltic States**

The PZU Group is committed to continuing organic growth in the Baltic States. It also constantly monitors the market with an eye to attractive acquisition targets. The strategic objective is to maintain 8% of the PZU Group's overall premium in the form of the gross written premium on international markets. In 2022, the companies PZU Group in the Baltic market recorded an increase in written premiums by 23%.

• **Sustainable development – ESG “Balanced Growth” Strategy**

As part of the adopted ESG Strategy, the PZU Group takes actions to strengthen its position as the leader and which comply with the principles of sustainable development. The PZU Group places environmental, climate and social factors on equal footing. PZU continues actions in 3 main areas (#organizational responsibility, #trusted partner in green transformation, #better quality of life).

**#responsible organization**

**Giving consideration to ESG targets in the company's strategic objectives and implementing them by the senior management**

ESG targets comprise tasks connected with implementation of ESG strategy performance indicators; they relate to key projects and are directed to selected organizational units responsible for the implementation of strategic activities. By

assigning ESG targets throughout the entire organization, also units which are not directly involved in strategic actions were included by PZU in the idea of sustainable development. The degree of attainment of these goals translates into the value of variable compensation to be received by the management staff.

ESG targets were assigned to PZU Management Board members and also Management Boards of some of the subsidiaries.

In 2022, PZU and PZU Życie implemented 30 targets which take into account ESG factors. There is a plan for 2023 to extend the catalogue of targets with actions related to the requirements of new ESG laws (including the EU Taxonomy).

**70% of key purchase processes which accounted for ESG criteria**

PZU has its Code of CSR Best Practices for PZU Group's Suppliers. It is a collection of principles for the PZU Group and all its suppliers. Conducting business in accordance with the Code and promoting its values constitute an important criterion for qualifying and evaluating potential business partners.

In 2022, opportunities to integrate ESG requirements into purchasing processes were explored during cyclical workshops. Following the diagnosis, the implementation of a solution to assess compliance with ESG requirements was initiated. It includes updating the Code of CSR Best Practices for PZU Group's Suppliers due to slightly different array of ESG issues in relation to corporate social responsibility. The update is scheduled for 2023. Once it has been implemented, a requirement for a business partner to accept these new provisions will be part of the offering process.

For proceedings ongoing or completed in 2022, PZU conducted an information campaign that involved obtaining relevant statements from suppliers participating in key purchasing processes.

**#Trusted Partner in green transformation**

**Increase of the current exposure to investments supporting climate and energy transition by 500 m PLN in 2021-2024**

In 2022, PZU and TFI PZU continued actions started in the previous year in terms of financing energy transition in Poland.

In March 2022, TFI PZU started financing a wind farm in Biały Bór with a target installed capacity of 144.9 MW. The project is located in the West Pomerania and will consist of 42 turbines with a unit capacity of 3.45 MW each. The sponsors of the

project are the Spanish group specialising in RES projects, Uriel Renovables, and the French financial investor, Mirova, part of the Natixis group.

In April 2022, TFI PZU granted financing to construct 4 wind farms with the total power of 108 MW. The projects are located in Pruszcz, Markowice (Kujawsko-Pomorskie Region), Piaski and Wyszki (Wielkopolskie Region). The project sponsor is the experienced Dutch infrastructure fund DIF Capital Partners, whose completed investments in renewable energy reach 3.3 GW globally. According to the schedule, the two smaller projects (Wyszki, Piaski) were completed in the third quarter of 2022, while the other two (Pruszcz, Markowice) should be completed in early 2023. Annual production of wind farms financed by the PZU Group should provide green electricity for over 800,000 households in Poland.

**ESG assessment of 55% of the biggest corporate insurance clients from sectors sensitive to ESG risks**

According to the internal definition, the assessment covers the largest corporate insurance clients that operate in sectors which are highly and moderately sensitive to ESG risks and have a significant impact on PZU revenues.

Highly sensitive sectors include those industries that rely most heavily on non-renewable energy sources, are responsible for the greatest level of greenhouse gas emissions from direct and indirect emissions, and have the greatest impact on environmental degradation. The following industries are classified to this group: the fuel industry, the mining industry and the conventional power industry. Medium-sensitive industries include: chemicals, transport, automotive, construction and agriculture.

Internal analyses were used to select industries highly and moderately sensitive to ESG risks. These were carried out on the basis of data on national greenhouse gas emissions and the percentage contribution of individual industries to CO2 emissions. Furthermore, external data sources were used, including good market practices, guidelines from international organizations (OECD, UNEP FI, ECB) and leading rating agencies, as well as regulatory requirements (EU Taxonomy).

The assessment of clients was carried out on the basis of two original methodologies for public and non-public entities, developed within the PZU Group under the supervision of PZU. Environmental, social and governance issues have been included in the methodology for public companies. The environmental area covers the following topics: greenhouse gas emissions, carbon footprint, impact of operations on biodiversity, energy intensity levels, waste management, current key company-defined environmental risks and their management, adoption of a climate neutrality target and decarbonization strategy. Issues defined in the social





4. PZU Group Strategy in 2021–2024

area include: respecting labor rights, ensuring safe working conditions, fair competition and social activities. The area of corporate governance encompasses: issues related to the diversity of management bodies, the prevention of corruption and unfair competition, the structure of management and supervisory bodies, the protection of minority shareholders' rights, the link between the remuneration of management boards and the achievement of sustainability objectives. The assessment is carried out on the basis of public data, including non-financial reports and strategies, and data from an external provider. The final assessment also depends on the sector in which the company operates. Non-public companies are assessed based on a simplified ESG assessment questionnaire. The application of the ESG criteria serves the purpose of risk assessment and is not exclusionary for clients.

In the following years, further corporate clients will be assessed according to an internal schedule. In addition, proposals for translating ESG assessments into business relationships will be developed in 2023.

Achieving climate neutrality by reducing emissions, purchasing green energy and compensating CO2 emissions (emissions scopes 1 and 2)

The PZU Group has been measuring its direct and indirect emissions since 2018. Every year, the measurement process is improved and its scope extended. The emissions calculation is independently verified by a certified verifier. In 2022, PZU and PZU Życie took actions aimed at reducing scope 1 and 2 greenhouse gas emissions associated with combustion of fuels. In 2022, PV installations were mounted in 7 locations. Additionally, the companies expanded their fleet by 15 hybrid cars. It is estimated that this will translate into reduction of the annual CO2 emissions in the following years.

Following the assumptions, the road to climate neutrality first involves the PZU Group's main companies: PZU and PZU Życie, which plan to achieve climate neutrality by 2024 through reduction of energy consumption, use of RES and offsetting emissions (implementation of reduction projects, which contribute to reducing greenhouse gas emissions). According to the commitment made in the ESG Strategy, PZU SA and PZU Życie SA carried out the offset of the CO2 emissions to which they contributed in 2021. They were also joined by PTE PZU and TUW PZUW. Emissions were offset by purchasing certified offset credits, CERs, made available by the UN Carbon Offset Platform. As part of offsetting the environment for emissions generated in 2021, the funds were allocated to wind power

development in India. The companies purchased offset units corresponding to emissions for PZU and PZU Życie 17,508 Mg CO2, PTE PZU 24 Mg CO2, TUW PZUW 68 Mg CO2.

Going forward, by 2030, it is planned to reduce the carbon footprint of further companies in the PZU Group and to start reducing emissions across the entire chain of companies cooperating with the PZU Group.

Between 2040 and 2050, the Group's ambition is to achieve climate neutrality of suppliers and business partners, and ultimately also of insurance clients and investments.

#better quality of life

Achieving 10-15 million recipients of social activities in the area of safety and sustainable lifestyle during the year

In 2022, PZU carried out nationwide health prevention campaign Zdrowe Życie (Healthy Life). The initiative was performed under the honorary patronage of the Presidential Couple, in cooperation with the Ministry of Health, the National Health Fund, the Ministry of State Assets and the Ministry of Education and Science. The campaign was also joined by the National Blood Donation Center, the Sanitary Inspectorate, the State Pharmacy Chamber and the National Security Office. One of the elements of the Healthy Life campaign consisted in mobile health areas organized by PZU. It was possible to have a number of tests there, free of charge, i.e. basic tests (blood sugar, blood pressure, cholesterol), spirometry or lung ultrasound, and the results could be consulted with specialists: PZU Zdrowie physicians (internist, pulmonologist, dietician, dermatologist, cardiologist). There was also a mammobus, where tests were carried out for women aged 50 to 69. The first mobile health area was ready on 3-4 June 2022 in front of the Presidential Palace in Warsaw. Over the next 5 months, the mobile health area made almost 5,000 km and visited 11 other cities throughout Poland. During this time, more than 34,000 tests, consultations and medical services were carried out.

On 10 May 2022, PZU launched the public prevention program Dobra Drużyna PZU (Good Team PZU), under which clubs and sports associations received funding to organize amateur sports activities, tournaments and competitions for children and young people up to the age of 18, including those with disabilities. The program is expected to significantly increase physical activity among children and young people, which will have a positive impact on their health and reduce their susceptibility to diseases and injuries in adulthood.

There were 1,667 entities that signed up for the program. Ultimately, 352 of them received funding. In total, Dobra Drużyna PZU prevention program reached 45,000 children

practicing 43 sports across the country, primarily in smaller towns.

PZU, in cooperation with TVP 2, continued the TV program Zacznij od zdrowia (Start with Health). The program was broadcast from October 2022. It addressed key issues related to developing habits that have a positive impact on health, including regular check-ups and an active lifestyle. Experts, including PZU Zdrowie physicians, answered questions about, for example, the state of health of Poles after the pandemic, insomnia, diabetes, obesity and depression. The program emphasized the importance of physical activity in preventive health care, with a particular focus on sports activities for children and young people.

The well-being program offer reached 70% of employees

Adopted in 2021, the well-being strategy #DobryStan (#well-being) addresses PZU's long-term goals in the area of caring for employees' well-being. It is a tool and an interactive plan for challenges and expectations, as identified and regularly monitored, coming from within the organization and from the company's external environment. It provides a comprehensive approach based on three main pillars: nurturing vital energy, building mental resilience and optimizing work style. The program influences the development of an organizational culture with people at its center. It is focused on dialogue, gathering employees' needs and opinions, analyzing the results of engagement surveys and preparing appropriate actions.

The strategy promotes a healthy lifestyle, an optimal work style, inspires and encourages employees to implement habits that improve efficiency and quality of functioning on a daily basis. It suggests how to effectively combine professional and private roles: as an employee, parent, carer. It uses modern technology to support employees in staying physically and mentally fit.

In 2022, employees were able to benefit from a range of educational activities and support in difficult situations. Educational and promotional activities culminated in the annual #TyTworzyszPrzyszłość (#YouCreateTheFuture) conference. In addition to presenting trends in the future of work, the conference was dedicated to maintaining the high performance, health and well-being of employees. The ideas of the #dobrystan (#well-being) strategy were incorporated, for example, in the implementation project of the New Work Model.

4.5. IFRS 17 implementation

On 18 May 2017, the IASB issued IFRS 17 Insurance Contracts, which replaced the current IFRS 4 – Insurance Contracts, applicable until the end of 2022.

The PZU Group applies IFRS 17 Insurance Contracts for the first time on 1 January 2023. Due to the need to prepare comparative figures, 1 January 2022 is assumed as the date of transition to the new standard.

The aim of the new standard is to introduce completely new, uniform principles for the measurement of insurance contracts, ensuring greater comparability of financial statements between different insurers, as well as providing a number of new disclosures for users of the financial information.

IFRS 17 introduces new principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts, as well investment contracts with discretionary participation features. The measurement method of a group of contracts in accordance with IFRS 17 is based on estimates of the present value of future fulfilment cash flows related to future and past service allocated to the group and on the contractual service margin (CSM) representing unearned profit.

The most important portion of operating profit within the PZU Group's insurance business consists of the insurance service result. In accordance with IFRS 17, the insurance service result covers:

- the amount of insurance revenue reflecting the consideration to which the PZU Group is entitled in exchange for services provided in the period; and
- the insurance service expenses, which comprises incurred claims, amortization of insurance acquisition cash flows, changes that relate to past service, and losses on groups of onerous contracts.

Detailed accounting and estimates applied to measure insurance contracts and reinsurance contracts are presented in Consolidated Financial Statements for the year ended 31 December 2022.

The changes arising from replacing IFRS 4 with IFRS 17 do not cause amendments to the strategy of the PZU's Group nor do they modify its business value creation. The implementation of IFRS 17 does not affect financial flows at the Polish companies of the PZU Group. PZU also does not expect changes in the level of dividends as the statutory reporting of the dividend payer remains unchanged, that is based on the Polish Accounting Standards.

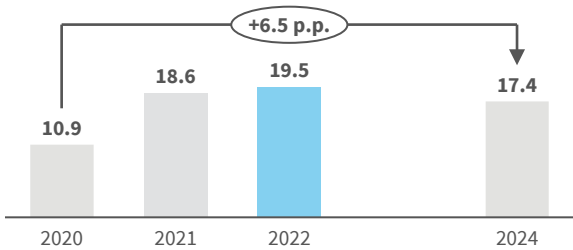


4. PZU Group Strategy in 2021–2024

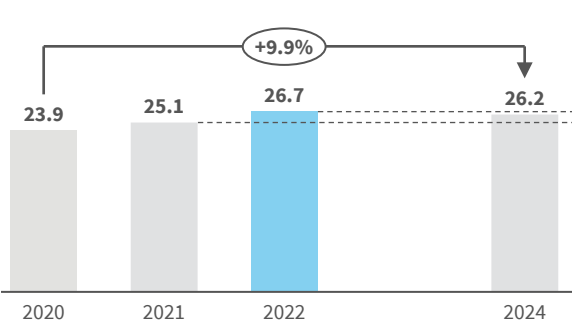
4.6. Indicators

Financial measures

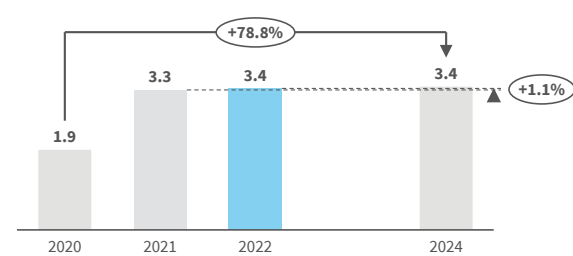
ROE (%)



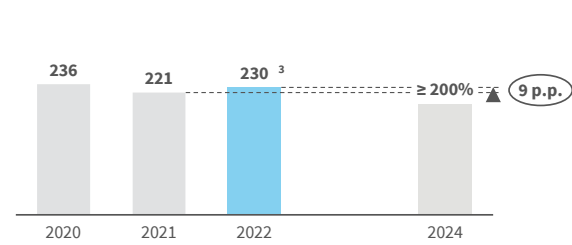
Gross written premium<sup>1</sup> (bn PLN)



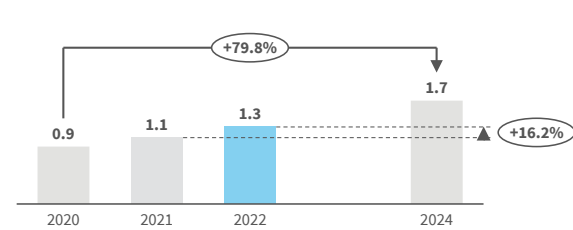
Net profit<sup>2</sup> (bn PLN)



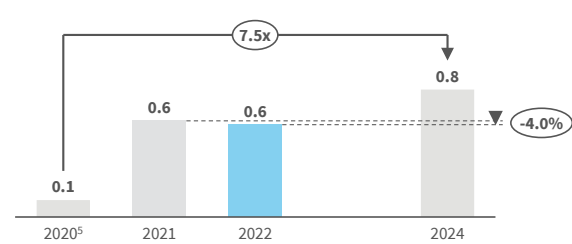
Solvency II ratio (%)



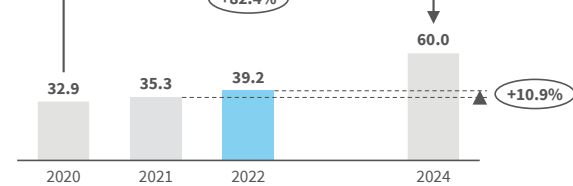
PZU Zdrowie's Revenues (bn PLN)



Banks' Contribution to PZU netto PZU Group's net results<sup>2</sup> (bn PLN)



Assets under Management<sup>4</sup> (bn PLN)



1) Gross written premium of the PZU Group;  
2) Net profit attributable to the holders of the parent company  
3) Data for Q3 Does not take into account the new rules included in the KNF circular letter to insurance companies dated 16.04.2021  
4) Third party assets under management TFI PZU, Pekao TFI and Alior TFI;  
5) Does not incorporate the impairment losses for intangible assets following from the acquisition of Alior Bank and Bank Pekao, Pekao TFI and Alior TFI  
6) Adjusted value (change in methodology for accounting for revenue intra-group in medical facilities)

ESG indicators		Target	Level of implementation 2022
Area			
#responsible organization	ESG goals in Senior Mgmt targets	Giving consideration to ESG targets in the Company's strategic objectives and handing them over for execution by Senior Management	ESG objectives included in the strategic objectives and communicated for implementation by management
	70%	The percentage of key processes of purchasing processes where ESG criteria were taken into account	46%
#Trusted Partner in green transformation	500 m	Increase of the current exposure in investments supporting climate and energy transformation by 500 m PLN in 2021-2024	PLN 716.7 m <sup>1</sup>
	55%	Assessment in terms of ESG factors 55% of largest corporate insurance clients From sectors sensitive to ESG risks	20%
	Scope 1 and 2	Reaching climate neutrality of own operations thanks to reduction of emissions, purchase of green energy and compensation of CO2 emissions	Reduction of CO2 emissions from own sources by 25.5% (location-based method). 81% of electricity contracted and purchased from RES. Offset of 17,508 Mg CO2e emissions for 2021
#better quality of life	10-15 m	Number of recipients of social activities in the area of safety and sustainable lifestyle during the year	>12.2 m
	70%	Percentage of employees covered by the #Well-being program	> 32% employees taking advantage of #GoodStan offerings

1) Since 2021, PZU's and TFI PZU's commitment to investments supporting the climate-energy transition has increased by PLN 716.7 m

# 5.

## Financial results

- 5.1. Key factors affecting the financial results achieved
- 5.2. PZU Group's income
- 5.3. PZU Group's claims and technical provisions
- 5.4. PZU Group's acquisition and administrative expenses
- 5.5. Drivers and atypical events affecting the results
- 5.6. PZU Group's asset and liability structure
- 5.7. Contribution made by the market segments to the consolidated result
- 5.8. PZU's standalone results



Return on equity attributable to equity holders of the parent company (ROE) at 19.5%. Increase in profit attributed to equity holders of the parent company to PLN 3.37 billion. Gross written premium up 6.5% year on year



5. Financial results

5.1. Key factors affecting the financial results achieved

In 2022, net profit attributable to the shareholders of the PZU Group’s parent company was PLN 3,374 million, compared to PLN 3,336 million in 2021 (up 1.1%). Net profit reached PLN 5,259 million, i.e. 3.2% less than in 2021, and profit before tax stood at PLN 7,605 million, compared to PLN 7,454 million the year before.

With the exclusion of non-recurring events<sup>1</sup>, the net result rose by 91.9% compared to last year.

Operating profit in 2022 was PLN 7,630 million, up PLN 2.2% compared to the result in 2021.

Operating profit was driven in particular by the following:

- higher gross written premium, especially in non-motor insurance in the mass client segment and corporate client segment, MOD insurance and growth of sales in the Baltic companies;
- higher profitability in group and individually continued insurance, on account of the decreased claims ratio due to deaths of the insured and co-insured in the group protection portfolio and in continued insurance;
- higher profitability of the mass insurance segment driven mainly by the lower claims ratio of the MOD insurance;
- lower profitability in the corporate client segment due to higher claims ratio of non-motor insurance products;
- slightly lower result of individual insurance, despite a significant decline in sales of investment products;
- higher operating result connected with banking activity (net result drop), including interest income and commission income offset with non-recurring effects: costs related to the modification of agreements for PLN mortgage loans granted to consumers due to their suspension of loan repayments (the so-called credit vacations) creating

1) Non-recurring events comprise: lower result connected with higher technical provisions for older versions of individually continued products, which consists in recognizing the expected effect of higher indexations; costs connected with Alior and Pekao Bank accessing the Bank Protection System; provision created by Bank Pekao for legal risk of foreign currency mortgage loans. impairment of financial assets and receivables in Ukrainian companies and last year’s higher result on investing activity owing to the IPO of a logistics company held in the portfolio of a mutual fund managed by TFI PZU.

- an additional provision for legal risk of foreign currency mortgage loan at Bank Pekao, payment to the Commercial Bank Protection System. Net result drop driven by non-tax nature of the provision for legal risk of foreign currency mortgage loan;
- lower performance on investing activities excluding banking activities, also due to last year's one-off effect of an increase in the valuation of the shares of a logistics company in connection with its IPO, partially offset increase in revenue from floating-rate instruments resulting from higher level of Polish interest rates, in particular in debt portfolios and on the financial market.

In the individual operating result items, the PZU Group posted:

- increase in gross written premium by 6.5% to PLN 26,710 million. It primarily pertained to non-motor insurance, including the insurance against fire and other damage to property in the segment of corporate clients, resulting from signing several high-value agreements, which included renewal of the agreement with a fuel and energy client, and in the segment of the mass client – MOD insurance driven by a high number of insurances with the simultaneous increase in the average premium, natural catastrophe insurance and other property damage, primarily due to higher sale of subsidized crop insurance (as a result of the subsidy pool from the state budget greater than the year before), insurance of buildings and real property. The sales growth in the Baltic companies was related to property insurance, MOD insurance and health insurance. Having considered the reinsurers’ share in the movement in provision for premiums, the net earned premium was PLN 24,297 million, up 4.6%, than in 2021;
- 58.9% higher investment income, exclusive of interest expenses, and 14.0% higher income after factoring in the interest expenses<sup>2</sup> (increase from PLN 9,137 million to PLN 10,416 million). Growth pertained to investment income from banking activity. The higher result was related in particular to an increase in interest income for both banks as a result of a series of interest rate hikes. The above effect was partially offset by recognized costs related to the modification of agreements for PLN mortgage loans granted to consumers due to their suspension of loan repayments

2) including: interest income calculated using the effective interest rate, other net investment income, result on derecognition of financial instruments and investments, movement in allowances for expected credit losses and impairment losses on financial instruments, net movement in fair value of assets and liabilities measured at fair value, and interest expenses

(the so-called credit vacations, in the amount of PLN 1,958 million at Pekao and PLN 502 million at Alior Bank, as well as legal risk allowances created for foreign currency mortgage loans by Pekao Bank (income on investing activity was thus charged with PLN 1,246 million). At the same time, a decline in investment income was posted in investment activity, net of banking activity<sup>3</sup>. They were lower than in 2021, mainly due to last year's effect of an increase in the valuation of the logistics company's shares as a result of its IPO, and a decrease in the results on investment activities on the asset portfolio covering investment products and lower results on Private Equity funds due to a downturn on the technological market. Lower investment results of the portfolio of assets held to cover the investment products alone do not affect the PZU Group’s overall net result, because they are offset by the movement in net insurance claims and benefits. The impact of the above factors was partially offset by a higher result of floating-rate instruments resulting from higher level of Polish interest rates, in particular in debt portfolios and on the financial market;

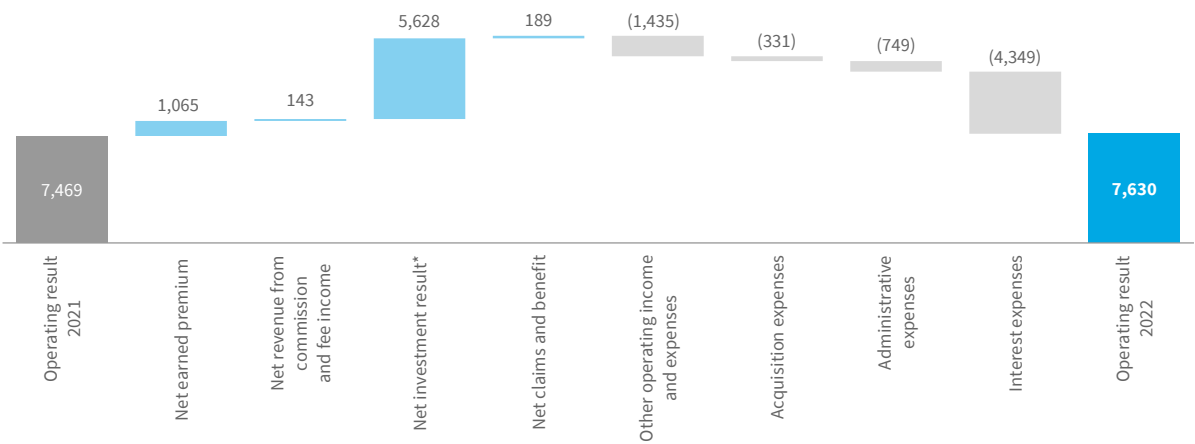
- the lower level of claims and benefits paid, which amounted to PLN 15,542 million, i.e. 1.2% less than in 2021. The drop mostly pertained to life insurance as a result of a decrease in technical provisions in unit-linked life insurance, both as an effect of lower sales of these products both in own channels and in the banking channel (lower inflow of new investment premiums) and lower results as well as lower results on

3) Banking activity: data of Pekao and Alior Bank

investment activity in comparison to the results generated last year, and decreased claims ratio due to deaths of the insured and co-insured in the group protection portfolio and in continued insurance;

- higher by 9.3% acquisition expenses – up from PLN 3,572 million in 2021 to PLN 3,903 million. This increase was mainly due to the shift in the mix of products and sales channels, including a higher share of the multiagency channel in the mass insurance segment;
- increase of administrative expenses by 11.0% to PLN 7,575 million, from PLN 6,826 million in 2021. Administrative expenses in the banking activity segment (exclusive of adjustments on account of the valuation of assets and liabilities to fair value) increased by PLN 562 million, and in the insurance business segments in Poland they increased by PLN 153 million, which resulted from, among others, increasing personnels costs brought about by wage pressure, intensification of sponsoring activity, increase in the real estate maintenance expenses, and purchase of equipment and furniture when moving to the new headquarters;
- movement in the negative balance of other operating income and expenses – to PLN 3,750 million, compared with PLN 2,315 million in 2021. This resulted mainly from the non-recurring effects at banks – payment of PLN 696 million in connection with the accession of Alior Bank and Pekao to the Bank Protection System, the contribution to the Borrower Support Fund in the amount of PLN 231 million. At the same time, the burden related to the levy on financial institutions increased in total from PLN 1,290 million in 2021 to PLN 1,452 million in 2022 (the outcome of growth of the value of assets subject to the levy, and not the rate of the levy).

Operating result of the PZU Group in 2022 (PLN million)\*



\*) exclusive of interest expenses



## 5. Financial results

Basic amounts of the consolidated profit and loss account	1 January – 31 December 2018	1 January – 31 December 2019	1 January – 31 December 2020	1 January – 31 December 2021	1 January – 31 December 2022
	PLN million	PLN million	PLN million	PLN million	PLN million
Gross written premiums	23,470	24,191	23,866	25,080	26,710
Net earned premiums	22,350	23,090	23,024	23,232	24,297
Net revenues from commissions and fees	3,355	3,279	3,166	3,544	3,687
Net investment result*	9,931	11,298	8,486	9,555	15,183
Net insurance claims and benefits	(14,563)	(15,695)	(15,580)	(15,731)	(15,542)
Acquisition expenses	(3,130)	(3,363)	(3,317)	(3,572)	(3,903)
Administrative expenses	(6,609)	(6,606)	(6,597)	(6,826)	(7,575)
Interest expenses	(2,046)	(2,129)	(1,134)	(418)	(4,767)
Other operating income and expenses	(2,201)	(2,790)	(3,990)	(2,315)	(3,750)
Operating profit (loss)	7,087	7,084	4,058	7,469	7,630
Share of the net profit (loss) of entities measured by the equity method	(1)	(4)	-	(15)	(25)
Profit (loss) before tax	7,086	7,080	4,058	7,454	7,605
Income tax	(1,718)	(1,895)	(1,528)	(2,020)	(2,346)
Net profit (loss)	5,368	5,185	2,530	5,434	5,259
Net profit (loss) attributable to the equity holders of the parent company	3,213	3,295	1,912	3,336	3,374

\*) Including: interest income calculated using the effective interest rate, other net investment income, result on derecognition of financial instruments and investments, movement in allowances for expected credit losses and impairment losses on financial instruments and net movement in fair value of assets and liabilities measured at fair value

### 5.2. PZU Group's income

#### Premiums

In 2022, the PZU Group collected gross premiums of PLN 26,710 million, i.e. up 6.5% (PLN 1,630 million) compared to 2021. The change in gross written premium (net of inter-segment premiums) was affected primarily by:

- increase in the written premium in the corporate client segment by PLN 755 million (+23.6%, to PLN 3,954 million), including insurance against fire and other damage to property, as a result of renewal of a long-term high-value contract, and increased premium written from a contract with a fuel and energy client;
- increase by PLN 654 million (+6.0% y/y, to PLN 11,549 million) in sales in the mass client segment in Poland – including, chiefly MOD insurance driven by a high number of insurances with the simultaneous increase in the average premium, natural catastrophe insurance and other property damage insurance, chiefly as a result of higher sales of subsidized crop insurance (as a result of the subsidy pool from the state budget greater than the year before), insurance of buildings and real properties;
- increase by PLN 492 million (+26.4% y/y, to PLN 2,359 million) in sales in the Baltic companies, chiefly property insurance, MOD insurance and health insurance;
- increase by PLN 136 million (+1.9% y/y, to PLN 7,166 million) in sales of group and individually continued insurance – in particular health insurance in group or continued form, and active up-selling of other insurance riders in individually continued products;
- decrease by PLN 299 million (-17.1% y/y, up to PLN 1,451 million) of the written premium in the individual life insurance segment, including bancassurance investment products, as a result of limiting collaboration with one of the external distributors with a downward trend in sales dynamics of products offered in cooperation with PZU Group banks.

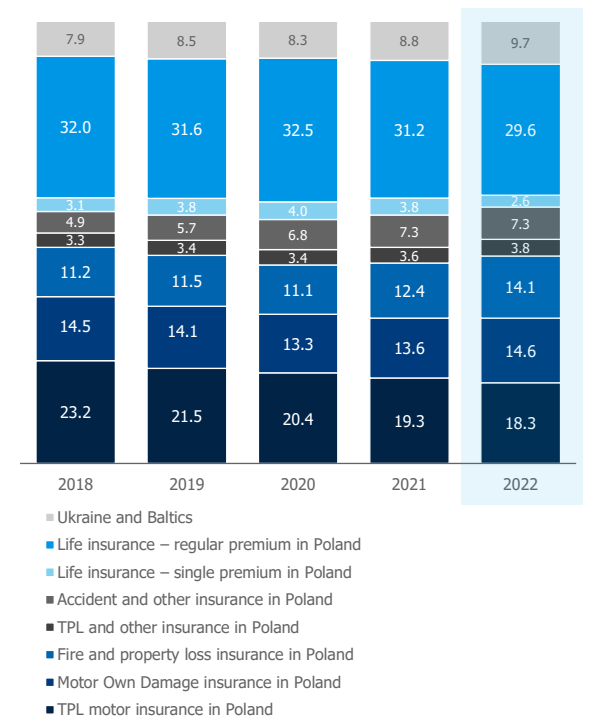
#### Net revenues from commissions and fees

In 2022, net revenues from commissions and fees amounted to PLN 3,687 million, and were by PLN 143 million, i.e. 4.0%, higher than the year before.

The revenues included primarily:

- net revenues from commissions and fees in the banking business of PLN 3,159 million, up PLN 248 million, or 8.5%, as compared to last year; included mainly: brokers' commissions, revenues and expenses related to the services linked to bank accounts and payment and credit cards, as well as fees charged for intermediation in insurance sales;

#### Structure of gross written premium in the PZU Group (%)



- revenue from pension insurance – of PLN 161 million, up PLN 7 million, or 4.5%, as compared to the previous year; the increase was applicable to revenues from the overpayment to the Insurance Guarantee Fund of the National Depository for Securities (Krajowy Depozyt Papierów Wartościowych, “KDPW”) (no revenues on this account was recorded in 2021);
- revenues and fees received from funds and mutual fund management companies – of PLN 363 million, down PLN 111 million, or 23.4%, as compared to 2021.

#### Net investment result and interest expenses

The net investment result, after factoring in interest expenses, net of data from Pekao and Alior Bank, was lower in 2022 than in the corresponding period of the previous year, chiefly due to the following factors:

- last year's increased valuation of shares in a logistics company following its IPO;
- weaker result of Private Equity funds due to a downturn on the technological market;
- a decrease in the results on investment activities on the asset portfolio held to cover the investment products alone do not affect the PZU Group's overall net result, because

## 5. Financial results

Insurance segment (PLN million), local accounting standards	Gross written premium (external)				
	1 January – 31 December 2018	1 January – 31 December 2019	1 January – 31 December 2020	1 January – 31 December 2021	1 January – 31 December 2022
<b>TOTAL</b>	<b>23,470</b>	<b>24,191</b>	<b>23,866</b>	<b>25,080</b>	<b>26,710</b>
<b>Total non-life insurance – Poland (external written premium)</b>	<b>13,384</b>	<b>13,596</b>	<b>13,162</b>	<b>14,094</b>	<b>15,503</b>
Mass insurance – Poland	10,325	10,332	10,200	10,895	11,549
MTPL insurance	4,610	4,383	4,205	4,199	4,257
MOD insurance	2,524	2,572	2,513	2,688	3,090
Other products	3,191	3,377	3,482	4,008	4,202
Corporate insurance – Poland	3,059	3,264	2,962	3,199	3,954
MTPL insurance	845	814	677	645	620
MOD insurance	878	827	669	718	809
Other products	1,336	1,623	1,616	1,836	2,525
<b>Total life insurance – Poland</b>	<b>8,237</b>	<b>8,546</b>	<b>8,719</b>	<b>8,780</b>	<b>8,617</b>
Group insurance and individually continued insurance – Poland	6,891	6,966	7,007	7,030	7,166
Individual insurance – Poland	1,346	1,581	1,712	1,750	1,451
<b>Total non-life insurance – Ukraine and Baltic States</b>	<b>1,729</b>	<b>1,897</b>	<b>1,827</b>	<b>2,026</b>	<b>2,437</b>
Ukraine – non-life insurance	202	256	214	249	176
Baltic States – non-life insurance	1,527	1,641	1,613	1,777	2,261
<b>Total life insurance – Ukraine and Baltic States</b>	<b>120</b>	<b>151</b>	<b>158</b>	<b>180</b>	<b>153</b>
Ukraine – life insurance	55	79	77	90	55
Baltic States – life insurance	65	72	81	90	98

they are offset by the movement in net insurance claims and benefits.

The above drops were partially offset with higher portfolio results:

- Polish variable coupon corporate debt as a result of rising interest rates;
- liquidity caused by higher interest rates;
- foreign sovereign bonds due to higher swap points on hedging instruments;
- real estate due to higher rental income and swap points on hedging instruments;
- Polish sovereign inflation bonds and variable coupon bonds.

### Result on other operating income and expenses

In 2022, the balance of other operating income and expenses was negative and stood at PLN 3,750 million, compared to the also negative balance of PLN 2,315 million in 2021. The balance change was caused by the following factors:

- the accession of Alior Bank and Pekao to the Bank Protection System, which resulted in a contribution to the aid fund of PLN 214 million and PLN 482 million, respectively;
- contribution to the Borrower Support Fund in the amount of PLN 231 million;
- higher levy on financial institutions, which in the case of PZU Group (insurance and banking activity together) increased from PLN 1,290 million in 2021 to PLN 1,452 million in 2022, owing to the higher burden was attributable in particular to banking activity and resulted from the increase in value of assets forming the taxable base (the rate of the levy did not change);
- provisions set up by Alior Bank and Pekao for refund of increased margins on mortgage loans prior to the establishment of the mortgage, in the total amount of PLN 135 million;
- updating the provision for legal risk related to foreign currency mortgage loans at Pekao in the gross amount of PLN 352 million.

### 5.3. PZU Group's claims and technical provisions

Net claims and benefits (including movement in technical provisions) in 2022 amounted to PLN 15,542 million, down 1.2% than the year before. This change was driven primarily by:

- decrease in unit-linked technical provisions linked to life insurance, both as an effect of lower sales of these products (lower inflow of new investment premiums) as well as lower results on investment activity in comparison to the results generated last year (the latter effect has no impact on the PZU Group's total net result; the item is the outcome of lower investment results on the portfolio of assets held to cover investment products);
- a decrease in benefits for the insureds' and co-insureds' death in 2022, which is correlated with the frequency of these events in the overall population according to the data published by Statistics Poland;
- an increase in technical provisions for older versions of individually continued products, recognizing the expected effect of higher indexations. This expectation is based on the high level of the observed and expected inflation rate;
- decreased claims ratio in the mass client segment in Poland, including motor insurance, that reflects lower MOD and higher MTPL insurance claims ratio due to, among others, positive handling of claims in previous years partially offset by deterioration in the claims ratio in the current year;
- higher claims ratio in the non-motor insurance portfolio in the corporate client segment, resulting from deteriorated claims ratio of insurance guarantees (impact of a loss event with high individual value) and the general third party liability insurance (chiefly in the portfolio of insurance of medical entities) and insurance against various financial risks;
- rising costs of utilization of benefits in outpatient health insurance, and an increase in benefits in riders related to hospital treatment and surgical operation as well as permanent disability and dismemberment in group and continued insurance, as a result of lower benefits last year due to lower number of reported claims.



# 5. Financial results

## 5.4. PZU Group’s acquisition and administrative expenses

In 2022, acquisition expenses increased by PLN 331 million, or 9.3%, in comparison to the previous year, and stood at PLN 3,903 million. The increase is mainly attributable to the modification in the product and sales channel mix, including a higher share of the multiagency channel in the mass client segment.

In 2022, PZU Group’s administrative expenses amounted to PLN 7,575 million, compared to PLN 6,826 million in the previous year, i.e. up by PLN 749 million. In terms of the banking activity segment (exclusive of adjustments on account of the valuation of assets and liabilities to fair value), they rose to PLN 562 million, mostly at Bank Pekao, due to higher personnel and IT costs. In the segment of insurance business in Poland, they rose by PLN 153 million which resulted from, among others, increasing personnels costs brought about by wage pressure, intensification of sponsoring activity, increase in the real estate maintenance expenses, purchase of equipment and furniture and the move to the new central headquarters.

## 5.5. Drivers and atypical events affecting the results

H1 2022 saw an increase in technical provisions for older versions of individually continued products, recognizing the expected effect of higher indexations of PLN 203 million gross. This expectation is based on the high level of the observed and expected inflation rate.

In addition, the PZU Group's result in 2022 was burdened by non-recurring effects related to banking activities including

- costs associated with the accession of Pekao and Alior Bank to the Bank Protection System in the gross amount of PLN 482 million and PLN 214 million, respectively;
- updating the provision for legal risk related to foreign currency mortgage loans at Pekao in the gross amount of PLN 1,598 million (out of which PLN 352 million burdened other operating expenses, and PLN 1,246 million was reported as a movement in allowances for expected credit losses and impairment losses on financial instruments);
- costs related to the modification of agreements for PLN mortgage loans granted to consumers due to their suspension of loan repayments (the so-called credit vacations), in the gross amount of PLN 1,958 million at Pekao and PLN 502 million at Alior Bank.

In addition, due to the Russian Federation's invasion of Ukraine on 24 February 2022, PZU’s Management Board assessed the impact of this event on the PZU Group's operations, business continuity, financial position and going concern. As a result of this analysis and due to the downgrading of Ukraine's rating, the PZU Group decided to recognize write-downs in the consolidated income statement for H1 2022, mainly for financial assets and receivables. The impact of these write-downs on the PZU Group's consolidated net result reached PLN 94 million.

In the corresponding period of 2021, a higher result on investing activity was recorded owing to the IPO of a logistics company held in the portfolio of a mutual fund managed by TFI PZU. The increase in revenue driven by this event was PLN 485,3 million in the 12-month period ended 31 December 2021.

## 5.6. PZU Group’s asset and liability structure

As at 31 December 2022, the PZU Group’s total assets were PLN 436,119 million, up PLN 33,990 million compared to the end of 2021.

### Assets

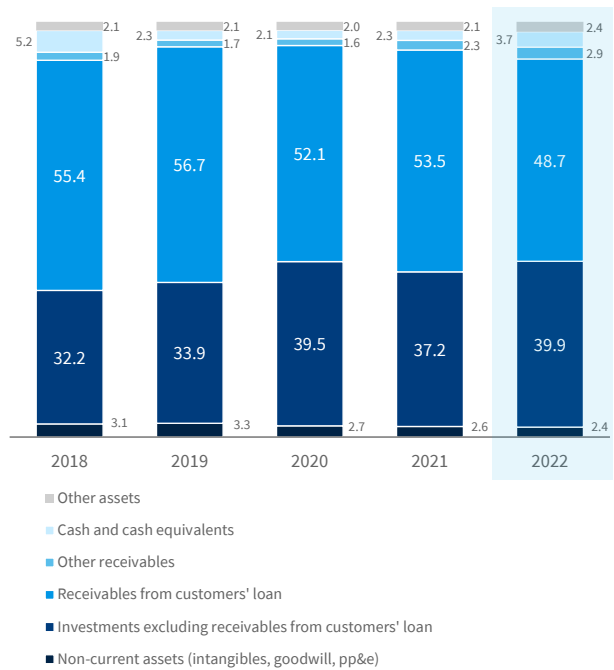
Loan receivables from clients constituted 48.7% of the Group’s assets (versus 53.5% at the end of 2021). Their balance reached PLN 212,693 million. Compared to 2021, it decreased by PLN 2,315 million chiefly due to decreasing mortgage loans for individual clients.

39.9% of assets (versus 37.2% at the end of 2021) were investments: financial assets, investment property, derivatives and financial assets pledged as collateral for liabilities. In total, they constituted PLN 174,051 million, and were up by PLN 24,660 million as compared to the end of last year. The increase in the value of investments was associated particularly with Bank Pekao, and was related to the higher value of the portfolio of derivatives and portfolio of debt securities. Net of the banking business, the investment portfolio increased compared to the level of the previous year, and changes in its balance are attributable to the generated investment result, and inflow of premiums driven by business growth.

2.4% of assets (versus 2.6% at the end of 2021) were non-current assets in the form of intangible assets, goodwill and property, plant and equipment. They amounted to PLN 10,394 million, and were by PLN 69 million higher as compared to the end of 2021. This increase also pertained to property, plant and equipment.

3.7% of assets (versus 2.3% at the end of 2021) were cash and cash equivalents. Their value was PLN 15,960 million and was PLN 6,513 million higher than one year before. It was

PZU Group’s asset structure (in %)



decided by the increase in the balance of funds accumulated in Poland’s central bank by Bank Pekao.

2.9% of assets (versus 2.3% at the end of 2021) represented the PZU Group’s receivables, including receivables under insurance contracts and the current income tax. They amounted to PLN 12,642 million and were higher by PLN 3,224 million compared to the year before. The increase arose primarily from the higher value of outstanding transactions involving financial instruments.

0.1% of assets (compared to 0.2% as at the end of 2021) were the assets held for sale. Their balance grew by PLN 11 million, to PLN 654 million, over a year. It concerned mainly the properties held by real estate sector mutual funds as held for sale, since the expected investment horizon was reached.

### Equity and liabilities

At yearend 2022, the PZU Group’s consolidated equity reached PLN 39,752 million, which was down PLN 242 million versus the year before.

The value of non-controlling interests decreased by PLN 651 million to PLN 22,263 million. This was driven by the decrease in the valuation of debt instruments and cash flow hedging instruments measured at fair value through other comprehensive income, Pekao’s dividends to non-controlling shareholders of PLN 1,129 million (also PLN 903 million to

minority shareholders) and the result attributable to non-controlling owners of PLN 1,885 million (generated by Alior Bank and Bank Pekao).

Equity attributable to the parent company’s shareholders increased by PLN 409 million to PLN 17,489 million. This is the result of 2022 net income attributable to the parent company of PLN 3,374 million partially offset by a decrease in the valuation of debt instruments and cash flow hedges measured at fair value through other comprehensive income, distribution of profit of PZU for 2021 of PLN 2,028 million increased by PLN 950 million transferred from the supplementary capital created from net profit generated in the year ending on 31 December 2020, allocated for disbursement of dividends of PLN 1,675 million.

63.8% of the Group’s equity and liabilities at yearend 2022 were liabilities to clients under deposits. They amounted to PLN 278,058 million and were higher by PLN 12,903 million than one year before. This resulted from the increase in term deposits of Bank Pekao and Alior Bank by PLN 47,588 million, which was partly offset by a decrease in term deposits.

As at 31 December 2022, the PZU Group had liabilities arising from own debt securities totaling PLN 11,090 million, including:

- PLN 3,488 million on bonds issued by Bank Pekao and Alior Bank;
- PLN 6,646 million on certificates of deposit issued by Bank Pekao and Alior Bank;
- PLN 956 million on covered bonds issued by Bank Pekao.

Subordinated liabilities of the PZU Group at yearend 2022 reached PLN 6,184 million, which was similar to the corresponding 2021 value.

12.1% of equity and liabilities at yearend 2022 was the value of technical provisions. It amounted to PLN 52,606 million and was PLN 2,433 million higher than one year before. This was affected by:

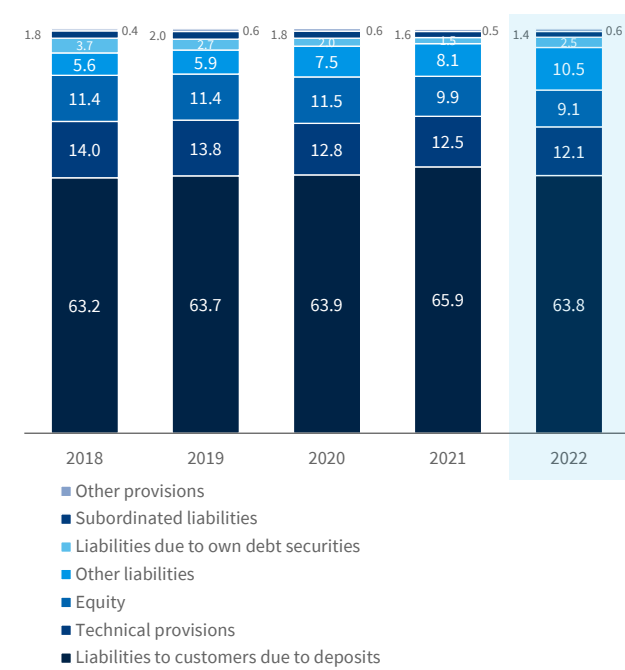
- an increase in the provisions for premium in property insurance and other personal insurance resulting mainly from the development of insurance sales, including the acquisition of several contracts with a high individual value (renewal in the Q4 of a contract for a fuel and energy client);
- increase in the provision for outstanding claims and benefits in non-life insurance related to the higher level of claims provisions in other financial, MTPL insurance;

5. Financial results

- lower policyholder risk provisions individual and group investment products as a result of negative investment performance on the portfolio.

3.9% of equity and liabilities at yearend 2022 was other liabilities in the amount of PLN 17,178 million. They were higher by PLN 3,975 million than one year before. The balance changed primarily due to liabilities arising from transactions in financial instruments and repurchase transactions and liabilities to banks for payment documents cleared in interbank clearing systems.

Structure of PZU Group's equity and liabilities (in %)



Cash flow statement

At yearend 2022, net cash flow was PLN 6,446 million, up by PLN 5,004 million versus the previous year. This growth was recorded in particular in cashflow from operational activity.

Material off-balance sheet line items

The value of contingent liabilities at the end of 2022 was PLN 80,676 million, that is PLN 11,728 million more year on year. This was caused predominantly by:

- PLN 4,829 million in contingent liabilities for renewable limits in settlement accounts and credit cards;
- PLN 53,634 million in liabilities from loans in tranches;
- PLN 8,521 million in liabilities in the form of awarded guarantees and sureties;

- PLN 4,158 million in the form of guarantees for the issue of securities.

5.7. Contribution made by the market segments to the consolidated result

The following industry segments were identified in order to facilitate management of the PZU Group:

- corporate insurance (non-life insurance) – wide range of property insurance products, liability and motor insurance customized to a client's needs entailing individual underwriting offered by PZU, LINK4 and TUW PZUW;
- mass insurance (non-life insurance) – property, accident, TPL and motor insurance products offered to individual clients and entities in the small and medium enterprise sector by PZU and LINK4;
- group and individually continued life insurance – protection, investment (which are not investment contracts) and health insurance; PZU Życie provides it to individual employees and other official groups, e.g. trade unions, and persons under a legal relationship with the policyholder (e.g. employer, trade union) enter into the insurance agreement; individually continued insurance apply to policyholders who acquired the right to individual continuation during the group phase;
- individual life insurance: protection, investment (which are not investment contracts) and health insurance; PZU Życie provides it to individual clients and the insurance agreement applies to a specific insured who is subject to individual underwriting;
- investments – the segment reporting according to the Polish Accounting Standards comprises investments of the PZU Group's own funds, understood as the surplus of investments over technical provisions in PZU, LINK4 and PZU Życie plus the surplus of income earned over the risk-free rate on investments reflecting the value of technical provisions in insurance products, i.e. surplus of investment income over the income allocated at transfer prices to insurance segments; the segment includes also income from other free funds in the PZU Group, including consolidated mutual funds;
- pension insurance – the segment includes income and expenses of PZU OFE pension funds;

- banking – a broad range of banking products offered to corporate and retail clients by Bank Pekao and Alior Bank;
- Baltic States – non-life insurance and life insurance products provided in the territories of Lithuania, Latvia and Estonia;
- Ukraine – non-life insurance and life insurance products provided in the territory of Ukraine;
- investment contracts – include PZU Życie products that do not transfer material insurance risk and do not satisfy the definition of insurance contract; these are some of the products with a guaranteed rate of return and in unit-linked form;
- other – consolidated companies that are not classified in any of the enumerated segments.

Corporate insurance

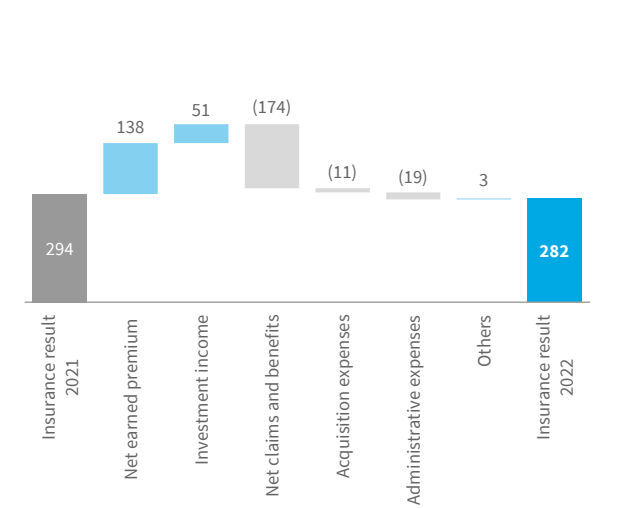
The result in the corporate insurance segment in 2022 was PLN 282 million, meaning it was down by 4.1% compared to 2021.

The result was affected mainly by:

- increase in net earned premium by PLN 138 million (+5.8% y/y) combined with an increase in gross written premium by PLN 748 million (+22.8%) compared to 2021. The change in the gross written premium of the PZU Group was based on:
  - premium increase in insurance against fire and other damage to property as the result of signing several high-value individual agreements, including renewal in the Q4 of a contract for a fuel and energy client with the total premium of over PLN 420 million (up by over PLN 180 million y/y) ;
  - increase in premium in ADD and other insurance, including from insurance against various financial risks and guarantee, chiefly due to higher sales of loss-of-profit insurance (also as a result of damage to machinery) and Casco insurance of vessels in marine and inland navigation;
  - increase in the motor insurance premium (+4.8% y/y) from decreased MTPL insurance (resulting from lower sales of vehicles and a slowdown in the highly competitive lease market) and increase in terms of MOD insurance (consequence of higher value of vehicles translated into higher sum insured);
  - improved written premium in the third-party liability insurance portfolio;

- increase in net insurance claims and benefits by PLN 174 million (+11.5% y/y) combined with a 5.8% y/y net earned premium increase translates into worse claims ratio by 3.4 p.p. to 67.3%. The increase in the claims loss ratio in the corporate insurance segment was driven by the following factors:
  - lower claims ratio in the motor insurance group, including a significant improvement in MOD insurance and deterioration in MTPL insurance as a result of lower than a year before frequency of reporting damage partially offset by an increase in average payments and depreciation of the PLN against the EUR in foreign currency claims,
  - higher claims ratio in the non-motor insurance portfolio, resulting from deteriorated claims ratio of insurance guarantees (impact of a loss event with high individual value) and the general third party liability insurance (chiefly in the portfolio of insurance of medical entities) and insurance against various financial risks;
- increase by PLN 51 million (+69.9% y/y) of investment income allocated per transfer prices to the segment compared to last year particularly resulted from higher interest rates and stronger euro exchange rate compared to zloty against the weakening last year. At the level of the PZU Group's overall net result, this currency effect was partly offset by the changed level of insurance liabilities covered by foreign currency assets;
- increase by PLN 11 million (+2.4% y/y) in acquisition expenses (considering reinsurance commission), which

Result in the corporate insurance segment (in PLN m)



# 5. Financial results

considering the increase in the net earned premium of 5.8%, translated into acquisition expenses ratio improving by 0.6 p.p. The decrease in the acquisition expense ratio of both motor and non-motor insurance portfolios is mostly due to changes in the portfolio structure, including lower share of motor insurance offered by lease agencies (which typically have higher commission rates) and renewing a large agreement with a low commission;

- increase in administrative expenses by PLN 19 million (+13.4% y/y), largely caused by an increase in real estate maintenance expenses due to indexation of lease prices and utility prices, move to the new central headquarters and implementing the New Model of Group Work Organization and IT Tools.

## Mass insurance

In 2022, in the mass segment, the PZU Group generated a result of PLN 1,497 million, 19.7% more than the year before.

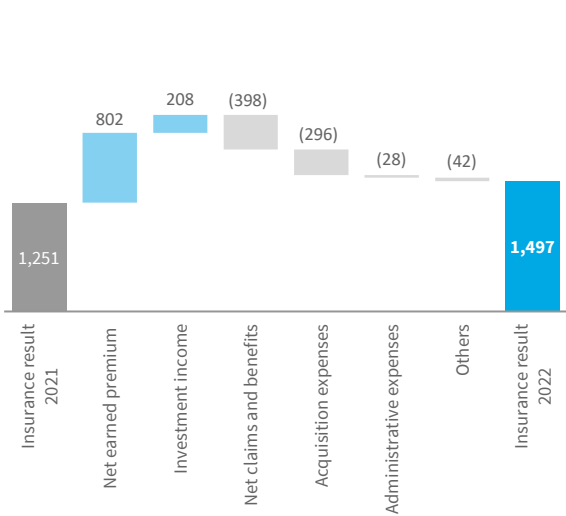
This was caused by the following factors:

- increase in net earned premium by PLN 802 million (+7.9% y/y) combined with an increase in gross written premium by PLN 673 million (+6.2% y/y). The PZU Group posted the following under sales:
  - higher written premium in motor insurance, chiefly MOD insurance (highly dynamic number of insurance with simultaneous increase of the average contribution due to higher value of vehicles translating into an increased sum insured) and slightly in MTPL insurance (the impact of the increase in average premiums with the deceleration of number of insurance policies). This effect was partially limited by decline in new passenger car registrations (recorded especially in the dealer channel),
  - higher premium in natural catastrophe insurance and other property damage insurance, chiefly as a result of higher sales of subsidized crop insurance (as a result of the subsidy pool from the state budget greater than the year before) and insurance of buildings. This effect was partly offset by lower premiums from mandatory insurance of farm buildings resulting from the high competitiveness of the market and the natural erosion of the portfolio (declining number of farms),
  - increased written premium in third party liability insurance (including TPL offered for PZU Firma and PZU DOM and Professional TPL insurance),
  - lower ADD and other insurance premium, chiefly by slower sale of insurance offered in cooperation with the

Group banks cash loan and mortgage loan, resulting from a decline in demand for mortgages in the face of high interest rates and greater restrictions on calculating creditworthiness. The effect was partially offset by an increase in the written premium in travel insurance and provision of PZU Auto Pomoc assistance services;

- increase by PLN 398 million (+6.4% y/y) in claims value and benefits net, which combined with net earned premium up by 7.9% translates into an improvement of the claims ratio by 0.9 p.p. compared to 2021. This change was driven mainly by:
  - decreased claims ratio in motor insurance reflects lower MOD and higher MTPL insurance claims ratio due to, among others, positive handling of claims in previous years partially offset by deterioration in the claims ratio in the current year (impact of the higher average payment, including depreciation of the PLN against the EUR),
  - higher claims ratio in non-motor insurance, including insurance against fire and other damage to property, mainly as a result of higher than the year before level of losses caused by atmospheric events (ground frosts and hail);
- increase by PLN 208 million (+54.0% y/y) in investment income allocated to the segment on the basis of transfer prices, compared to the previous year, caused in particular by higher interest rates and stronger euro exchange rate compared to zloty against the weakening last year. At the level of the PZU Group's overall net result, this currency effect was partly offset by the changed level of insurance liabilities covered by foreign currency assets;

Result in the mass insurance segment (in PLN m)



- rise in acquisition expenses (including reinsurance commissions) by PLN 296 million (+13.9%), to PLN 2,429 million, which, when coupled with the higher net earned premium up by 7.9%, caused growth in the acquisition expense ratio by 1.2 p.p. The increase in acquisition expenses was mainly attributable to the modification in the product and sales channel mix, including a higher share of the multiagency channel;
- increase in administrative expenses by PLN 28 million (+4.1% y/y), largely caused by an increase in real estate maintenance expenses due to indexation of lease prices and utility prices, move to the new central headquarters and implementing the New Model of Group Work Organization and IT Tools. This effect was stronger due to intensified marketing efforts and wage pressure.

## Group and individually continued insurance

In 2022, the operating result in the group and individually continued insurance segment was PLN 1,249 million, or 43.6% more than in the previous year.

This result was improved largely by the decrease in benefits due to lower number of deaths of insureds and co-insureds observed in the whole population and confirmed by Statistics Poland data.

Factors affecting this segment's performance and its movements in 2022:

- rise in gross written premium by PLN 136 million (+1.9% y/y) driven by:
  - attracting further contracts in health insurance. At the end of 2022, PZU Życie had more than 2.7 million in-force contracts of this type, simultaneously adjusting the average price to market and macroeconomic conditions (considering price inflation of medical services) while maintaining portfolio profitability,
  - increased revenues on riders in group protection products, with the pressure of increased departures of insureds from groups (work establishments),
  - for active up-selling of other insurance riders in individually continued products;
- increase in the net earned premium by PLN 135 million (+1.9%) in connection with the development of the insurance portfolio and release of the provision for unexpired risk of PLN 25 million. The provisions is created to cover potential deficit of future premiums (due to the heightened mortality caused by the COVID-19 pandemic), and its release is associated with the lower than forecasted claims;

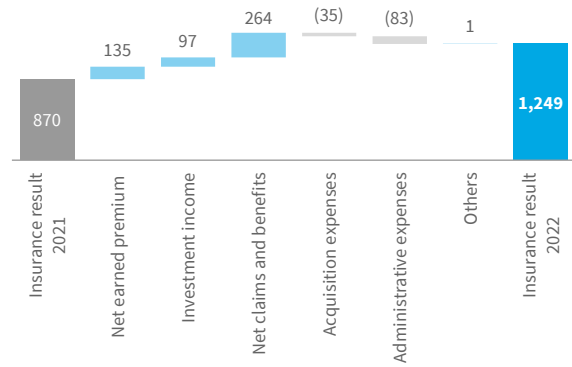
- increase in investment income by PLN 97 million (+18.7% y/y), which is comprised of income allocated according to transfer prices and income from investment products, related to higher income allocated in protection products due to higher interest rates and deteriorated investment product results, especially EPS. At the same time income from investment products does not affect the result of the group and individually continued insurance segment because it is offset by changes in insurance liabilities;
- lower insurance claims and benefits along with the movement in other technical provisions by PLN 264 million (-4.7% y/y), to PLN 5,333 million resulting from:
  - decrease in insureds' and co-insureds' death benefits during the year, corresponding, as follows from Statistics Poland's data, with a lower mortality in the whole population in the period,
  - decrease in technical provisions in EPS (a third pillar retirement security product), which was affected by weaker investment performance than in 2021;
  - declining value of benefits for childbirth,
  - an increase in technical provisions for older versions of individually continued products, recognizing the expected effect of higher indexations in the years to come – this expectation is based on the high level of the observed and expected inflation rate,
  - rising costs of benefits in outpatient health insurance caused by higher utilization and inflation of medical costs,
  - an increase in benefits in riders related to critical illness, surgical operations and hospital treatment, as well as permanent disability and dismemberment which was due to a lower incidence of benefits last year as a result of lower activity due to the COVID-19 pandemic;
- higher by PLN 35 million (+8.9% r/r) acquisition expenses caused by the higher fees for insurance intermediaries in group protection insurance related to the stronger sales, especially in the segment of insurance products dedicated to small and medium-sized enterprises, and higher group health product premiums with a simultaneous growing portfolio of these products;
- an increase in administrative expenses by PLN 83 million (+12.4% y/y), largely caused by an increase in personnel costs as a result of wage pressures, intensified sponsorship activities and higher costs of maintenance of properties due to purchase of new equipment and furniture related to the move to the new headquarters, implementation of the New



# 5. Financial results

Model of Group Work Organization and Tools and higher level and sales bonuses. Factors contributing to the cost reduction include lower demand for consulting services for the ongoing projects and the lower dimension of advertising efforts.

## Operating result in the group and individually continued insurance segment (in PLN m)



## Individual insurance

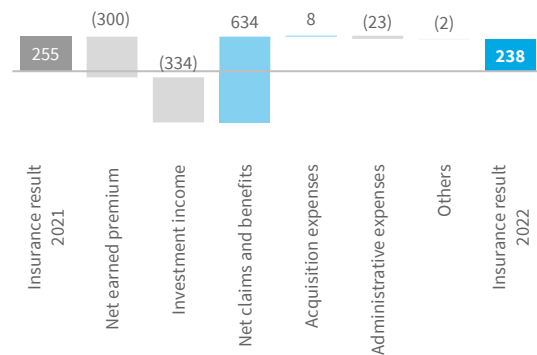
The operating result in the individual insurance segment in 2022 was PLN 238 million, down by PLN 17 million, or 6.7%, year-on-year.

Factors affecting this segment's performance in 2022:

- gross written premium lower by PLN 299 million (-17.1% y/y), to PLN 1,451 million as a result of:
  - decrease in premium generated in investment insurance in the bancassurance channel as a result of restrained cooperation with one of the external distributors and a downward trend in products offered in cooperation with the PZU Group banks,
  - decrease in premium generated in investment insurance, mainly life insurance with unit-linked insurance in the own network and Individual Retirement Accounts,
  - decrease in the portfolio of protection products in the bancassurance channel, including those sold in cooperation with the PZU Group's banks, chiefly in the area of insurance offered for mortgage loans,
  - new sales of Single Premium Endowment products offered in own network and in the bancassurance channel,

- increase in the premium for protection products offered in own network;
- decrease in investment income by PLN 334 million (from PLN 153 million in 2021 to PLN -181 million in 2022), composed of income allocated by transfer price and income from investment products, due to deteriorated results of investment products, especially the Multi-currency Investment Program and lower income allocated to protection products. Income from investment products does not affect the result of the individual insurance segment because it is offset by changes in insurance liabilities;
- decrease by PLN 634 million (from PLN -1,329 million in 2021 to PLN -695 million in 2022) of insurance claims and benefits along with the movement in other technical provisions. This was largely caused by a decrease in provisions related to unit-linked products, which resulted both from lower investment income and a slump in contributions to unit-linked funds. From the point of view of the operating result, the latter factor was of small significance – it was offset by a lower level of gross written premium and lower investment income;
- drop of PLN 8 million (4% y/y), to PLN 216 million, of acquisition expenses resulting from lower sales in unit-linked products in the bancassurance channel with simultaneous increase in fees paid to intermediaries for sales of protection products both proprietary and banking channels;
- increase by PLN 23 million (26.7% y/y), to PLN 109 million, of administrative expenses, chiefly resulting from higher personnel costs resulting from the wage pressure, increase in property maintenance costs and the purchase of equipment and furniture in connection with the move to

## Operating result in the individual insurance segment (in PLN m)



the new headquarters implementation of the New Model of Group Work Organization and Tools, modernization of IT systems and higher level of variable payroll associated with above-average execution of plans. This effect was partially offset by the lower dimension of advertising activities.

## Investments

Operating income of the investment segment (based exclusively on external transactions) were lower than in the last year by PLN 242 million (-36.6% y/y), which resulted from last year's increased valuation of shares in a logistics company, weaker result of Private Equity funds and listed stocks as a result of the weaker market.

These drops were partially offset by a higher result of floating-rate instruments resulting from higher level of Polish interest rates, in particular in debt portfolios and on the financial market.

Additionally, a negative impact was exerted on the segment results by higher allocation to insurance segments based on a higher level of market interest rates.

## Banking segment / banking activity

The operating profit in the banking segment (without amortization of intangible assets acquired as part of the bank acquisition transactions), composed of the Bank Pekao and Alior Bank groups, amounted to PLN 3,914 million in 2022 and was higher by PLN 135 million than one year before.

The cycle of interest rate hikes, as initiated in Q4 2021, was decisive for the increase of the results compared to 2021. On the other hand, factors that had a negative impact included the "credit vacations", i.e. the recognition of costs relating to the PLN mortgage loan contract modifications applied for clients who deferred their loan repayments.

Bank Pekao's contribution to the PZU Group's operating profit in the banking segment (net of the amortization of intangible assets acquired as part of the acquisition transaction) was PLN 2,878 million, while Alior Bank's contribution was PLN 1,036 million. Alior Bank's performance in 2022 was affected by non-recurring events, specifically: the impairment loss on tax assets associated with the Bank's operations in Romania and the establishment of a provision for commission refunds, the so-called Small CJEU). Bank Pekao's performance, on the other hand, was affected by the recognition of a provision for the legal risk related to foreign currency mortgage loans in the amount of PLN 1,598 million, with the result on the allowances charged with PLN 1,246 million and other operating expenses – with PLN 352 million.

Investment income, being the key component of the banking segment's revenue, increased to PLN 13,636 million (+86.3% y/y). It consists of interest and dividend income, trading result

and result on impairment losses. The segment income was positively impacted by higher net interest income due to a series of interest rate hikes initiated in October 2021. On the other hand, there was a negative impact from the recognition of costs related to the modification of agreements for PLN mortgage loans granted to consumers due to their suspension of loan repayments (the so-called credit vacations), in the amount of PLN 1,958 million at Pekao and PLN 502 million at Alior Bank.

The total portfolio of loan receivables in both banks decreased by PLN 2.5 billion (-1.2% y/y) at the end of 2022 compared to 2021. This was chiefly caused by an increase in receivables from clients on account of mortgage and consumer loans in the retail client segment, which find less interest in a high interest rate environment.

The value of allowances for expected credit losses and impairment losses on financial instruments totaled PLN 2,017 million in Bank Pekao and PLN 1,075 million in Alior Bank, and was higher y/y by PLN 1,240 million and PLN 25 million, respectively.

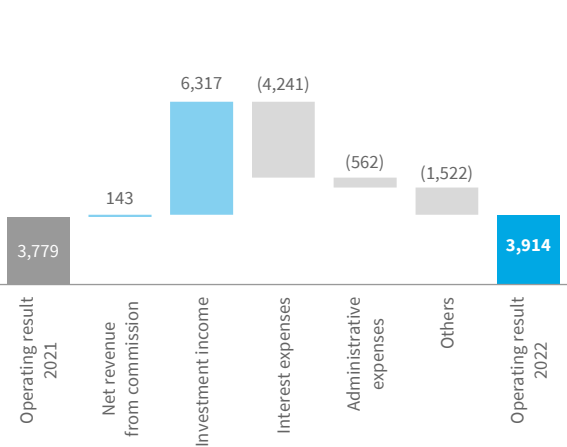
The profitability measured by the net interest margin was 3.27% for Bank Pekao and was higher by 89 bps relative to 2021, while in Alior Bank it stood at 4.64%, i.e. 90 bps more than the year before. The difference in the net interest margin level between Bank Pekao and Alior Bank resulted from the structure of the loan receivables portfolio. In both banks, the net interest margin increased due to a series of interest rate hikes; this increase partially compensated for the negative impact of the credit vacations.

The net fee and commission income in the banking segment improved by 4.2% relative to the previous year and reached PLN 3,569 million. The main reasons for the improvement in commission income included fees for grating loans, margins on foreign currency transactions and card commissions. The segment's administrative expenses increased to PLN 5,639 million, and were 11.1% higher compared to 2021. For Bank Pekao, they totaled PLN 4,028 million, and for Alior Bank – PLN 1,611 million. The increase was caused mainly by higher personnel costs and IT costs in Bank Pekao. In addition, other contributors to the operating result included other operating income and expenses, where the main components are the BFG fees (PLN 365 million) and the levy on other financial institutions (PLN 1,129 million). Other significant charges included the costs incurred for the contribution to the newly established Institutional Protection System (IPS), PLN 696 million, the contribution to the Borrower Support Fund (PLN 231 million), as well as the remaining amount of Bank Pekao's provision for the legal risk related to foreign currency mortgage loans, PLN 352 million. In addition, provisions were established for refund of increased margins on mortgage loans prior to the establishment of the mortgage, in the

# 5. Financial results

amount of PLN 112 million in Bank Pekao and PLN 23 million in Alior Bank. The Cost/Income ratio was 40% for both banks (40% for Bank Pekao and 39% for Alior Bank), or 2.3 p.p. less than the year before. The improved value of the ratio was a consequence of income growing faster than costs. The increase in income was experienced chiefly in the area of interest income.

## Operating result in the banking segment (in PLN m)



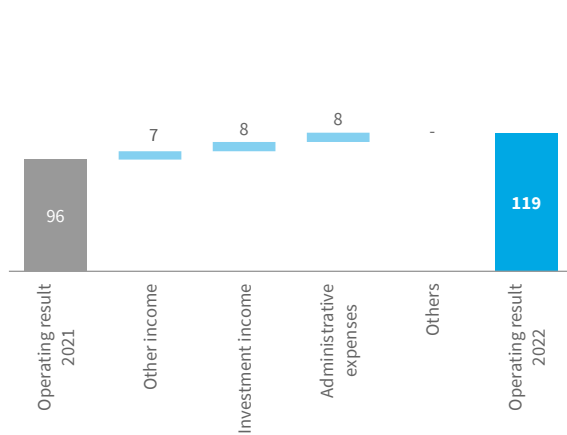
## Pension insurance

The operating profit in the pension insurance segment amounted to PLN 119 million in 2022, or 24.0% more than in 2021.

Factors affecting the operating result and its movement:

- other revenue higher by PLN 7 million (4.5% y/y), to PLN 161 million. It was driven by revenue from the overpayment to

## Operating profit in the pension insurance segment (in PLN m)



the Insurance Guarantee Fund (no revenues on this account was recorded in 2021);

- administrative expenses lower by PLN 8 million (-14.0% y/y), to PLN 49 million. The main contributing factor to this difference was a lower surcharge on the Insurance Guarantee Fund for Q4 2022 (PLN 8.5 million), while in the same period in 2021, the surcharge amounted to PLN 16.1 million;
- the investment income growth by PLN 8 million to the level of PLN 12 million, attributable to the increase in market interest rates.

## Baltic States

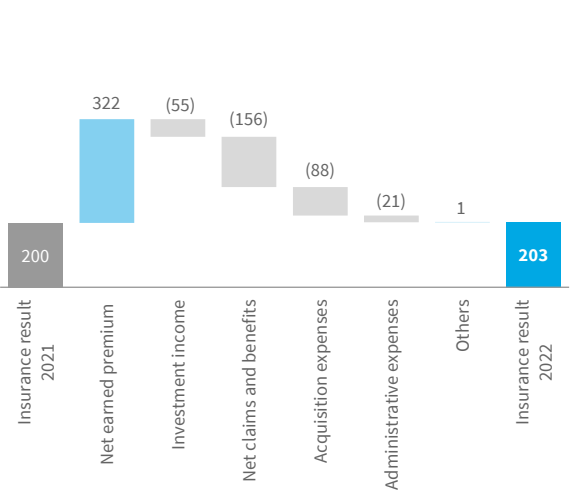
The operating result on the activity in the Baltic States in 2022 was PLN 203 million, an increase by PLN 3 million, or 1.5%, compared to 2021.

The following factors had an impact on this result:

- net earned premium higher by PLN 322 million (18.5% y/y) combined with an increase in gross written premium. Gross written premium totaled PLN 2,359 million and was higher than the year before by PLN 492 million i.e. +26.4% y/y (+23.3% y/y in the functional currency). Sales were up by PLN 484 million (+27.2%), generated in non-life insurance chiefly as a result of a considerable growth in sales of motor TPL insurance (+27.8% in the functional currency), MOD insurance (+25.1% in the functional currency), property insurance (+20.6% in the functional currency) and health insurance (+41.0% in the functional currency). In life insurance, sales climbed by PLN 8 million (+8.9% y/y);
- a decline of PLN 55 million, to PLN -13 million in investment income. This was mainly a result of decreases in stock markets;
- net claims and benefits higher by PLN 156 million (14.4% y/y), achieving the level of PLN 1,238 million. Claims ratio in the non-life insurance rose 0.6 p.p. to 60.8% compared to the previous year, due to, among other things, the increase in the frequency and in the average claim value in motor insurance, in the mass area, in non-motor insurance, including insurance against fire and other damage to property, as a result of higher than the year before level of losses caused by atmospheric events. In life insurance, the value of benefits stood at PLN 43 million and was PLN 44 million lower than in 2021, which resulted from the lower growth in life insurance provisions;
- increase in acquisition expenses by 24.0% to PLN 454 million. The rate of growth in expenses was correlated with the rate of growth in sales; the acquisition expense ratio calculated on the basis of net earned premium increased by 1.0 p.p. to 22.0%;

- administrative expenses slightly higher (+14.8% y/y) at PLN 163 million. The administrative expense ratio stood at 7.9%, down 0.3 p.p. compared to the previous year.

## Operating result in the Baltic States segment (in PLN m)



## Ukraine

The Ukraine segment ended 2022 with the result on insurance activity deteriorated by PLN 19 million, at PLN -5 million compared to PLN 14 million in 2021. The segment's performance was affected by an analysis of the recoverability of assets held, carried out, among other things, as a result of the downgrading of the Ukraine's rating, which caused the PZU Group to recognize the following in the consolidated profit and loss account:

- increased allowance for expected credit losses for investment financial assets in the amount of PLN 53 million;
- impairment losses on receivables in the amount of PLN 41 million.

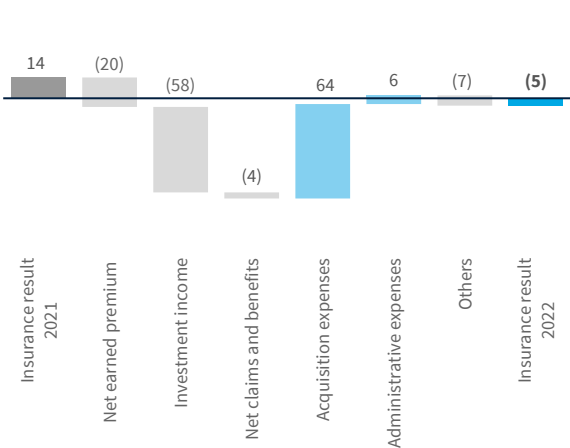
Factors affecting this segment's performance:

- decrease in net earned premium by PLN 20 million (-8.8% y/y) combined with a decrease in gross written premium. Gross written premium amounted to PLN 231 million and fell by PLN 108 million compared to the year before (-31.9% y/y, -29.2% in the functional currency). The negative rate in most types of insurance is related to the outbreak of hostilities within the Ukrainian territory, and suspending the sales of several products concerning property insurance or financial risk. The largest declines were recorded in agricultural insurance (-66.8% in the functional currency), property insurance (-63.9% in the functional currency), accident insurance (-50.4% in the functional currency), and motor TPL and MOD insurance (total of -17.4% y/y in the functional currency). The increase in gross written premium was

noted only in Green Card insurance, due to the taking out of policies en masse by people traveling abroad. Premium in life insurance dropped by PLN 35 million (-38.9% y/y, -37.3% in the functional currency);

- a decline of PLN 58 million in investment income. The value of investment income was charged with an impairment loss;
- net claims and benefits higher at PLN 106 million (+3.9% y/y). The insurance value in the field of
- non-life insurance dropped by PLN 3 million compared to the previous year. The nationwide declaration of martial law on 24 February excluded insurers' liability for damages resulting from hostilities. PZU Ukraine made payments under motor TPL and MOD insurance in accordance with the terms of the insurance contracts and applicable legislation. In life insurance the value of benefits paid increased by PLN 7 million (+19.4% y/y) compared to the previous year. The claims ratio calculated on the basis of the net earned premium in non-life insurance was 41.4%, down 6.0 p.p. compared to 2021;
- drop of acquisition expenses to PLN 48 million from PLN 112 million in the previous year (-57.1% y/y). The acquisition expense ratio decreased by 26.1 p.p. to 23.2%;
- decline in administrative expenses by PLN 6 million (-15.4% y/y), to the level of PLN 33 million. The administrative expense ratio calculated on the basis of the net earned premium decreased 1.3 p.p. and stood at 15.9%.

## Operating result in Ukraine segment (in PLN m)



## Investment contracts

In the consolidated financial statements investment contracts are recognized in accordance with the requirements of IFRS 9.

The results of this segment are presented according to the Polish Accounting Standards, which means that they include gross written premium, claims paid and movements in

5. Financial results

technical provisions. These categories are eliminated at the consolidated level.

Gross written premium generated on investment contracts in 2022 decreased by PLN 3 million to PLN 30 million compared to 2021.

The investment income in the segment of investment contracts deteriorated by PLN 26 million compared to the previous year (from PLN -3 million in 2021 to -29 million in 2022), chiefly due to the lower rate of return on IRSAs. Additionally, investment income does not affect the result of the investment contracts segment because it is offset by changes in insurance liabilities.

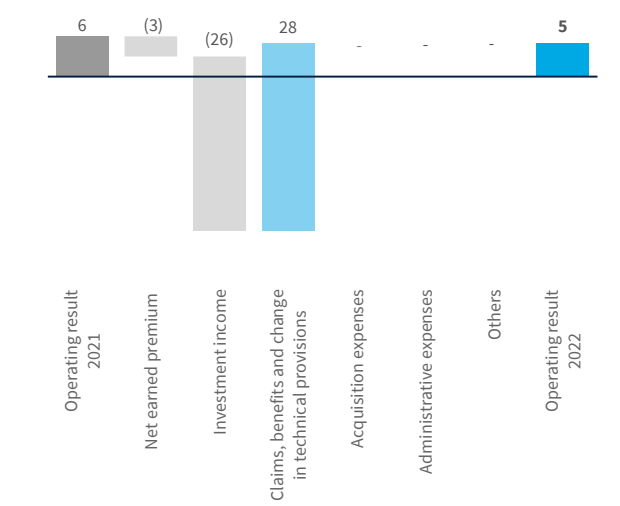
The cost of insurance claims and benefits together with the movement in other net technical provisions decreased PLN 28 million y/y to PLN -6 million, mostly due to the difference in investment income in unit-linked products.

In the investment contract segment, no active acquisition of contracts is currently underway.

Administrative expenses totaled PLN 2 million, signifying no change versus the previous year.

The segment’s operating result was PLN 1 million lower and amounted to PLN 5 million.

Operating result in the investment contracts segment (in PLN m)



Alternative Performance Measures

Selected Alternative Performance Measures (APM) within the meaning of European Securities and Markets Authority Guidelines (ESMA) no. 2015/1415 are presented below.

The profitability and operational efficiency indicators presented herein, constituting standard measures applied generally in financial analysis, provide, in the opinion of the Management Board, significant additional information about the PZU Group’s financial performance. Their usefulness was analyzed in terms of information, delivered to the investors, regarding the Group’s financial standing and financial performance.

Profitability indicators

To facilitate the analysis of PZU Group’s profitability, such indicators were selected that best describe this profitability in the opinion of the Management Board.

The return on equity (ROE) and the return on assets (ROA) indicate the degree to which the Company is capable of generating profit when using its resources, i.e. equity or assets. They belong to the most frequently applied indicators in the analysis of profitability of companies and groups regardless of the sector in which they operate.

Return on equity (ROE) is a measure of profitability. It permits an assessment of the degree to which the company multiplies the funds entrusted to it by the owners (investors). This is a ratio of the generated profit to the held equity, i.e. financial resources at the Group’s disposal for an indefinite term which were contributed to the enterprise by its owners. In the case of the PZU Group, the value of net profit and equity differ considerably depending on whether they are provided excluding or including the profit/equity of minority shareholders. Therefore, both return on equity (ROE) – attributable to equity holders of the parent, and return on equity (ROE) – consolidated, without excluding profit and equity attributable to non-controlling shareholders, are presented.

Return on assets (ROA) reflects their capability of generating profit. This indicator specifies the amount of net profit attributable to a unit of financing sources engaged in company’s assets.

Return on equity attributable to equity holders of the parent (PZU) for 2022 was 19.5%. At the same time, it was 0.9 p.p. higher than that achieved in the previous year, which stemmed from the improved result in the insurance business in Poland, with lower average equity related to the allocation for 2021 dividends of 2020 profit plus the amount transferred to supplementary capital, created from net profit generated in the year ending on 31 December 2019.

Return on assets (ROA) of the PZU Group for 2022 was 1.3%, i.e. 0.1 p.p. lower than in 2021. This was caused in particular by non-recurring events in the banking business:

- costs associated with the accession of Bank Pekao and Alior Bank to the Bank Protection System in the gross amount of PLN 482 million and PLN 214 million, respectively;
- updating the provision for legal risk related to foreign currency mortgage loans at Bank Pekao in the gross amount of PLN 1,598 million;
- costs related to the modification of agreements for PLN mortgage loans granted to consumers due to their suspension of loan repayments (the so-called credit vacations), in the gross amount of PLN 1,958 million at Pekao and PLN 502 million at Alior Bank.

Operational efficiency ratios

To facilitate the analysis of PZU Group’s performance, such indicators were selected, that, in the opinion of the Management Board, best describe performance in the case of insurance companies and those pursuing banking activity. Some indicators refer the costs of pursuit of insurance activity to premiums, hence reflect which portion of the premium was allocated to costs and which portion – to margin. For the banking activity, the Cost/Income (C/I) ratio was selected as the relation which best reflects the performance of this area of the activity in the opinion of the Management Board. All indicators are widely applied by other companies from the corresponding sectors and by investors and serve an analysis of efficiency and profitability of these companies.

One of the fundamental measures of operational efficiency and performance of an insurance company is COR (Combined Ratio) calculated, due to its specific nature, for the non-life insurance sector (Section II). This is the ratio of insurance expenses related to insurance administration and the payment

of claims (e.g. claims, acquisition and administrative expenses) to the earned premium for a given period.

In recent years, the combined ratio (for non-life insurance) of the PZU Group’s has been maintained at a level ensuring high profitability of business.

In 2022, it stood at 89.6% and was 0.4 p.p. higher than in 2021, largely due to the higher acquisition expense ratio in the mass insurance segment. It was the result of an increase in the level of acquisition costs as a result of a change in the mix of products and sales channels including a higher share of the multiagency channel in the mass client segment and a higher claims ratio of the non-motor insurance portfolio in the corporate client segment following the deterioration in the claims ratio of insurance guarantees (the impact of claims events of a high unit value) and in the group of general third party liability insurance (mainly in the medical entity insurance portfolio) and insurance against various financial risks.

Operating profit margin in life insurance is also an important indicator, i.e. the profitability of life insurance segments calculated as the ratio of the result on operating activity to gross written premium. In 2022, the indicator reached 16.8%, and its increase by 4.1 p.p. in comparison to 2021 was in particular due to a lower claims ratio in group and individually continued insurance. This resulted from the lower level of benefits, which in turn was caused by the decline in the deaths of insureds and co-insureds observed in the whole population and confirmed by Statistics Poland data.

As regards banking activities, efficiency is measured by the cost to income ratio, i.e. the quotient of administrative

Basic performance indicators of the PZU Group	1 January – 31 December 2018	1 January – 31 December 2019	1 January – 31 December 2020	1 January – 31 December 2021	1 January – 31 December 2022
Return on equity (ROE) - attributable to equity holders of the parent company (annualized net profit / average shareholders' equity) x 100%	22.1%	21.2%	10.9%	18.6%	19.5%
Return on equity (ROE) – consolidated (annualized net profit / average shareholders' equity) x 100%	14.6%	13.5%	6.1%	13.0%	13.2%
Return on assets (ROA) (annualized net profit / average assets) x 100%	1.7%	1.5%	0.7%	1.4%	1.3%





5. Financial results

Operational efficiency ratios		1 January – 31 December 2018	1 January – 31 December 2019	1 January – 31 December 2020	1 January – 31 December 2021	1 January – 31 December 2022
1	<b>Gross claims and benefits ratio (simple)</b> <i>(gross claims and benefits / gross written premium) x 100%</i>	63.8%	66.5%	67.5%	64.3%	63.2%
2	<b>Net claims and benefits ratio</b> <i>(net claims and benefits / net earned premium) x 100%</i>	65.2%	68.0%	67.7%	67.7%	64.0%
3	<b>Insurance activity expense ratio for insurance segments</b> <i>(insurance activity expense ratio / net earned premium) x 100%</i>	21.4%	22.3%	22.6%	23.8%	25.0%
4	<b>Acquisition expense ratio for insurance segments</b> <i>(acquisition expenses / net earned premium) x 100%</i>	14.5%	15.1%	15.3%	16.3%	17.1%
5	<b>Administrative expense ratio for insurance segments</b> <i>(administrative expenses / net earned premium) x 100%</i>	6.9%	7.2%	7.4%	7.6%	7.9%
6	<b>Combined ratio in non-life insurance</b> <i>(net claims and benefits + insurance activity expenses / net earned premium) x 100%</i>	87.1%	88.5%	88.2%	89.2%	89.6%
7	<b>Operating profit margin in life insurance</b> <i>(operating profit / gross written premium) x 100%</i>	21.3%	20.5%	18.6%	12.7%	16.8%
8	<b>Cost/income ratio – banking activity</b>	42.3%	40.8%	43.4%	42.2%	39.9%

expenses and the sum of operating income, excluding the BFG charge, the levy on other financial institutions and the movements in allowances for expected credit losses and impairment losses on financial instruments. In 2022, the cost to income ratio in the PZU Group's banking business reached 39.9%, and was lower than in 2021 by 2.3 p.p. due to the rate of growth in income surpassing that in costs. The increase in income was experienced chiefly in the area of interest income of both banks as a result of a series of interest rate hikes.

5.8. PZU's standalone results

In 2022, the issuer (PZU) recorded a technical result of PLN 1,267 million, compared to PLN 1,269 million in 2021, a drop by 0.2% (PLN -2 million y/y). Net profit was PLN 1,637 million, i.e. 19.3% less compared to PLN 2,028 million achieved on the previous year. Disregarding the dividends received from PZU Życie, PZU's net profit was PLN 1,089 million, and was by PLN 275 million, i.e. 33.8%, higher compared to 2021.

As regards the individual net result items, PZU recorded:

- increase in gross written premium to PLN 14,692 million, or 9.7% more than in the previous year. This was due to the higher premium in insurance against fire and other damage to property (impact of the renewal of several large contracts and improved sales of crop insurance) as well as motor own damage insurance and insurance against various financial risks. After the reinsurers' share and change in the provision for unearned premiums, net earned premium was PLN 12,750 million and was by 7.0% higher than in 2021;
- higher level of claims and benefits – amounting to PLN 7,895 million, which means an increase by PLN 539 million, i.e., 7.3% compared to 2021. The most significant change, that is the growth in the group of insurance against fire and other damage to property, general third-party liability insurance and insurance guarantees, was partially offset by the lower value of claims in accident and illness insurance an on the group of transport, marine and aviation insurance;
- net investment result down<sup>4</sup> at PLN 1,303 million (by 16.4% year-on-year), as a result of deteriorated performance reported by subsidiaries;
- acquisition expenses higher by PLN 279 million, or 11.0%, compared to 2021, including reinsurance commissions, as a consequence of the growing insurance portfolio and the

4) Investing ae investment income, unrealized gains on investments, costs of investing activities, unrealized losses on investments and share in net profit (loss) of subsidiaries measured by equity method

high share of the multiagency channel, characterized by higher commission rates;

- a 5.0% increase in administrative expenses, from PLN 723 million in 2021 to PLN 759 million in 2022. The increase is primary caused by the impact of rising maintenance costs of properties due to the indexation of lease prices and utility prices, the relocation to the new headquarters, and the implementation of the New IT Work Organization and Tools Model. The effect was amplified by intensified sponsorship activities, salary pressure and costs of aid support associated with the situation in Ukraine.

In 2022, PZU collected **gross premium** of PLN 14,692 million (PLN 13,248 million on direct business), i.e., 9.7% more than in 2021. The premium comprised mainly:

- TPL motor insurance premiums, accounting for 32.6% of PZU's insurance portfolio (35.5% in the prior year). The slight increase in premium, with the simultaneous decline in portfolio share by 2.9 p.p. were caused by strong price pressures, intensified competition in the market, and the persisting limited availability of new vehicles (experienced especially in the dealership network and in lease agencies);
- the MOD insurance premium with a 24.9% share of PZU's total gross written premium (+1,2 p.p. in comparison to 2021). Contrary to the portfolio of motor third party liability insurance, the value of written premium largely increased in comparison to 2021 (by 15.3% year-on-year), which is due to the high growth in the number of insurance contracts, with the simultaneous increase in average premiums (rising vehicle values translating into an increase in sums insured);
- premiums on insurance against fire and property damage accounting for 24.7% of PZU's premium portfolio. Compared to 2021, their share in the insurance portfolio edged up 2.3 p.p., while their value was up 20.7%. The improved written premium was a consequence of the resumption of a contract with a client operating in the fuel and energy industry in Q4 2022, with a simultaneous increase in written premium to a total of over PLN 420 million (an increase of more than PLN 180 compared to 2021), and an increase in written premium in crop insurance (impact of a subsidy pool from the state budget greater than the year before). This effect was partly offset by lower premiums from unsubsidized, voluntary crop insurance and mandatory farm building insurance, resulting from the high competitiveness of the market and the natural erosion of the portfolio (declining number of farms);
- third party liability insurance premiums accounting for 6.3% of the PZU's insurance portfolio. The premiums were 10% higher compared to 2021 and their share in the portfolio did not change. This resulted from the growth of the TPL portfolio offered with PZU Firma and PZU DOM, as well as professional TPL insurance;
- other insurance premiums, whose share in the portfolio was 11.5%, 0.5 p.p. lower than in 2021. The premium value increased despite a significant decline in accident and



5. Financial results

illness insurance (-26.4% compared to 2021), including cash loan and mortgage loan insurance (offered in cooperation with the PZU Group's banks). Lower premiums offered through the bancassurance channel are a consequence of falling demand for mortgage loans in the face of rising interest rates and greater restrictions on creditworthiness calculation. This decline was offset by higher premiums in assistance insurance (included in the PZU Auto and PZU Wojażer offerings) as well in aviation, marine and transport insurance.

The decrease in **net investment result from investing activities** in 2022 was largely caused by lower dividends from PZU Życie as well as by last year's acquisition of the FIZ AN SN by FIZ AN SN2 and the recognition in the profit and loss account of FIZ AN SN's income, previously recognized in equity. The impact of the above factors was partially offset by the increase in the banking performance and the higher income from floating-rate instruments resulting from higher level of Polish interest rates, in particular in debt portfolios and on the financial market.

In 2022, net claims and benefits and the incremental growth in PZU's provisions totaled PLN 7,895 million, i.e. 7.3% more than in 2021.

The most significant factors that contributed to the change in the net value of claims and benefits were as follows:

- significantly higher level of losses caused by natural forces and other property damage, including crop insurance claims caused by atmospheric phenomena, such as hailstorms and gusty winds, mainly at the turn of Q2 and Q3 2022;
- increased claims and benefits in the group of motor insurance, both TPL and MOD insurance. The movement in claims and benefits was caused by positive claims development in previous years partially offset by deterioration in the claims ratio in the current year (the impact of an increase in average claims paid, including the depreciation of the PLN against the EUR);
- the higher claims ratio in guarantees (the occurrence of events of high unit value) and in insurance against various financial risks, including, in particular, loss-of-profit insurance in corporate insurance;
- increased claims and benefits in third party liability insurance, chiefly in TPL insurance for company authorities, mandatory TPL insurance for notaries and general TPL insurance both for corporate and retail clients.

In 2022, **acquisition expenses** (including reinsurance commissions) amounted to PLN 2,815 million, and increased by 11.0% in comparison to 2021, which along with a 7.0% increase in net earned premium y/y translated into a deterioration of the acquisition expense ratio by 0.8 p.p. The change in the acquisition expense ratio was driven largely by the modification in the product and sales channel mix,

including a higher share of the multiagency channel as well as changes in the remuneration model for crop insurance.

In 2022, **administrative expenses** reached PLN 759 million, i.e. 5.0% higher than in the previous year, which alongside the increase in net earned premium by 7.0% y/y translates into an improved administrative expense ratio, by 0.2 p.p. The increase of administrative expenses is primary caused by the impact of rising maintenance costs of properties due to the indexation of lease prices and utility prices, the relocation to the new headquarters, and the implementation of the New IT Work Organization and Tools Model. The effect was amplified by intensified sponsorship activities and salary pressure.

The balance of other **technical income and expenses** in 2022 was negative and stood at PLN 224 million. The 14.7% deterioration in comparison to 2021 was an outcome of a higher impairment charge on receivables and a lower allowance to the prevention fund.

The balance of other **operating income and expenses** was also negative. It reached PLN -364 million, while the year before – when it was also negative – it stood at PLN 278 million. The y/y change is mainly the result of higher financial expenses (PLN +105 million y/y), including interest on the issue of debt securities.

At the end of 2022, PZU's **balance sheet total** was PLN 45,935 million, and was 3.3% higher compared to the previous year.

The main component of PZU's assets were **investments** which stood at PLN 40,165 million (up 2.3 % compared to the end of 2021), which accounted for 87.4 % of PZU's total balance sheet value, compared to 88.3% as at the end of the previous year. The level of investments, excluding investments in subordinated entities, increased in connection with the achieved investment performance and net operating income, which was offset by the disbursement of dividends from the 2021 profit, increased by the amount transferred from supplementary capital, originally augmented by the 2020 profit.

As at the end of 2022, PZU's **receivables** stood at PLN 2,527 million, and accounted for 5.5% of assets, whereas the year before they amounted to PLN 2,404 million (5.4% of assets). This increase is an outcome of higher direct insurance receivables (PLN +294 million y/y, net of impairment charges) and a decline in other receivables, including those from other entities (PLN -150 million y/y; the impact of lower receivables from outstanding investment transactions and collateral margins).

**Fixed assets, in the form of intangible assets goodwill and property, plant and equipment** were disclosed in the balance sheet at PLN 432 million (PLN +9 million y/y). They accounted for 0.9% of assets.

As at the end of 2022, PZU held **cash** of PLN 131 million (0.3% of assets). The year before, the corresponding value was PLN 146 million.

At the end of 2022, **technical provisions** were the main component of PZU's equity and liabilities. They reached the value of PLN 23,913 million (net), which accounted for 52.1% of equity and liabilities. Their share in the balance sheet increased by 1.1 p.p. compared to 2021, while in terms of value they rose by PLN 1,238 million, in particular due to a higher provision for outstanding claims and benefits, mainly in the group of insurance against various financial risks and general third party liability insurance, as well as a higher provision for unearned premiums, mainly in natural catastrophe insurance, insurance against other damage to property and MOD insurance.

At the end of 2022, **equity** was PLN 15,824 million and accounted for 34.4 % of equity and liabilities, down 1.0 p.p. compared to the end of 2021.

**Contingent receivables** amounted to PLN 3,045 million, i.e. were lower by 17.8% in comparison to the previous year. They comprised among others: guarantees and sureties received, bills of exchange issued on account of granted insurance

guarantees and other contingent receivables comprising mainly securities obtained in the form of mortgage on the debtor's assets, other contingent receivables, etc.

The balance of **contingent liabilities** was PLN 1,145 million, which represents a decline by PLN 59 million (-4.9% y/y) in comparison to 2021. This is the result of an increase in disputed claims, not recognized by the insurer and with regard to which creditors have taken legal actions before the courts (+ PLN 151 million y/y), as well as lower other contingent liabilities, including lower Sureties from subsidiaries (- PLN 83 million y/y) and liabilities due to unpaid loan tranches (- PLN 95 million y/y).

In 2022, PZU generated a **return on equity (ROE)** of 10.4%, down 1.8 p.p. compared to 2021. In 2018-2022, the average return on equity (ROE) was 14.5%.

Operational efficiency ratios		2018	2019	2020	2021	2022
1	<b>Gross claims and benefits ratio (simple)</b> <i>(gross claims and benefits / gross written premium) x 100%</i>	60.5%	61.7%	63.2%	57.2%	62.6%
2	<b>Net claims and benefits ratio</b> <i>(net claims and benefits / net earned premium x 100%</i>	62.2%	63.1%	62.4%	61.7%	61.9%
3	<b>Insurance activity expense ratio</b> <i>(insurance activity expenses / net earned premium) x 100%</i>	24.8%	25.6%	26.1%	27.3%	28.0%
4	<b>Acquisition expense ratio*</b> <i>(acquisition expenses / net earned premium) x 100%</i>	19.3%	19.9%	20.1%	21.3%	22.1%
5	<b>Administrative expense ratio</b> <i>(administrative expenses / net earned premium) x 100%</i>	5.4%	5.7%	6.0%	6.1%	5.9%
6	<b>Combined ratio in non-life insurance</b> <i>(net claims and benefits + insurance activity expenses / net earned premium) x 100%</i>	87.0%	88.7%	88.5%	89.1%	89.9%

\*) including reinsurance commissions



5. Financial results

Basic performance indicators of PZU	2018	2019	2020	2021	2022
<b>Return on equity (ROE)</b> <i>(annualized net profit / average equity)</i> <i>x 100%</i>	19.7%	18.4%	11.8%	12.1%	10.4%
<b>Return on assets (ROA)</b> <i>(annualized net profit / average assets)</i> <i>x 100%</i>	6.3%	6.2%	4.4%	4.6%	3.6%

\*) restated data






# 6.

## Risk management

- 6.1. Objective of risk management
- 6.2. Risk management system
- 6.3. Risk appetite
- 6.4. Risk management process
- 6.5. PZU Group's risk profile
- 6.6. Risk sensitivity
- 6.7. Reinsurance operations
- 6.8. Capital management



We put a lot of effort to continue developing sophisticated risk management procedures. They are of fundamental significance to us. It is important for us that our clients have peace of mind and feel safe with us and the Group's results remain predictable.

6. Risk management

6.1. Objective of risk management

Risk management in the PZU Group aims to build value for all stakeholders. It involves active and deliberate management of the quantum of risk accepted. The essence of this process also involves preventing the acceptance of risk at a level that could pose a threat to the financial stability of the PZU Group or the PZU Financial Conglomerate.

Risk management in the PZU Group consists in analyzing risk in all processes and units and therefore is an integral part of the management process.

The main elements of the PZU Group’s risk management system have been implemented to ensure sectoral consistency and the execution of the various entities’ strategic plans and the overall PZU Group’s business objectives. These elements include, among others:

- systems of limits and limitations on the acceptable level of risk, including the level of risk appetite;
- processes involving the identification, measurement and assessment, monitoring and controlling, reporting and management measures pertaining to various risks;
- allocation of powers in the risk management process, in which the Management Boards and Supervisory Boards of the entities and appointed committees play a crucial role.

Entities from the financial sector are additionally obligated to apply standards appropriate for their respective sector. Their internal regulations pertain to, among others:

- processes, methods and procedures facilitating risk measurement and management;
- split of duties in the risk management process;
- scope and conditions and the frequency of risk management reporting.

PZU exercises supervision over the entire PZU Group’s risk management system. This supervision is based on mutual cooperation agreements entered into with the subsidiaries and the information provided thereunder. PZU manages risk at the Group level on an aggregate basis, especially with respect to capital requirements.

In addition, PZU, as a leading entity, manages risk concentration on the level of the whole PZU Financial Conglomerate. It also defines the risk concentration management standards, in particular through introduction of rules for identification, measurement and assessment, monitoring and reporting of significant risk concentration and making managerial decisions. It also has in place internal guidelines and regulations for managing risk concentration at the level of the PZU Financial Conglomerate, which precisely

define the obligations of the leading entity and the regulated entities.

Risk management at the Group level is ensured by an additional recommendation issued by PZU (as the parent company) regarding the organization of the risk management system in the subsidiaries from the insurance and banking sector. Additionally, guidelines regulating precisely the various risk management processes in Group companies are in place.

The management process for various risk categories comprises requirements of sustainable development, and the same applies at the level of each PZU Group subsidiary, in compliance with prevailing provisions of law and individually defined PZU Group internal policies, including the ESG Strategy which constitutes an integral part of the PZU Group Strategy.

The management boards of PZU Group entities are responsible for fulfilling their own duties in accordance with the generally applicable provisions of national and international law. In particular, they are responsible for implementation of an adequate and effective risk management system.

Supervision over the risk management systems in the financial sector entities is exercised by Supervisory Boards. PZU designates its representatives to the Supervisory Boards. It particularly pertains to the Supervisory Boards of Alior Bank and Bank Pekao.

6.2. Risk management system

The risk management system in the PZU Group consists in the following:

- split of duties and tasks performed by statutory bodies, committees and individual organizational units and cells in the risk management process;
- risk management process, including risk identification, measurement and assessment, monitoring and control methods, risk reporting and undertaking management actions; the framework for this process is universal among financial market entities.

The consistent split of duties and tasks in the PZU Group and in individual financial sector subsidiaries covers four decision-making levels.

The first three are:

- **The Supervisory Board**, which supervises the risk management process and assesses its adequacy and effectiveness; performs duties as part of its decision-making powers defined in the entity’s Articles of Association and the Supervisory Board Rules and Regulations, as well as through the Audit Committee;

- **The Management Board**, which organizes the risk management system and ensures that it is operational, by adopting strategies and policies, setting the level of risk appetite, defining the risk profile as well as tolerance levels for the individual categories of risk;
- **The committees**, which decide about limiting the levels of individual risks to fit the risk appetite framework they have defined, adopt procedures and methodologies for mitigating the individual risks and accept the limits for individual risk types.

The fourth decision-making level pertains to operational measures divided into three lines of defense:

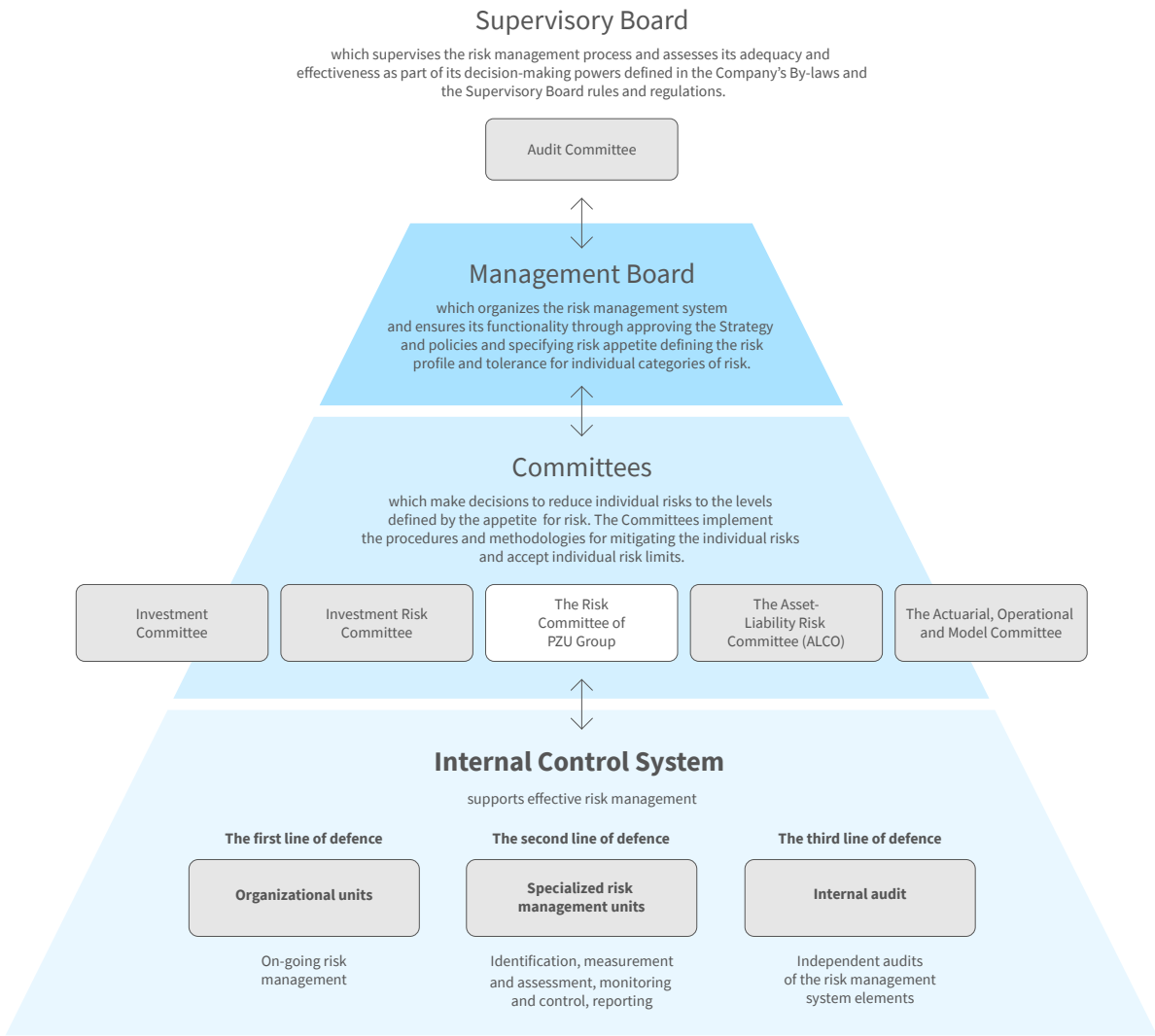
- **the first line of defense** – entails ongoing risk management at the entities’ business unit and organizational unit level

and decision-making as part of the risk management process, taking into account the limits for individual risks;

- **the second line of defense** – risk management by specialized units responsible for risk identification, measurement, monitoring and reporting, as well as for limits control;
- **the third line of defense** – internal audit which conducts independent audits of the individual elements of the risk management system, as well as of control procedures.

The Actuarial, Operational and Model Committee was established at the level of the PZU Group in April 2022. A committee focused on such risks will facilitate developing the PZU Group’s risk management system and ensure accurate and timely flow of information on operational, actuarial and model risks, which beforehand were addressed at meetings of the PZU Group’s Risk Committee.

Chart of the organizational structure for the risk management system



**The role of the PZU Group’s Risk Committee** is to support members of the PZU Group in implementing an effective risk management system that is consistent throughout the Group. The objective of the PZU Group’s Risk Committee is to coordinate actions, and oversee the management systems and processes for individual risks within the PZU Group.



6. Risk management

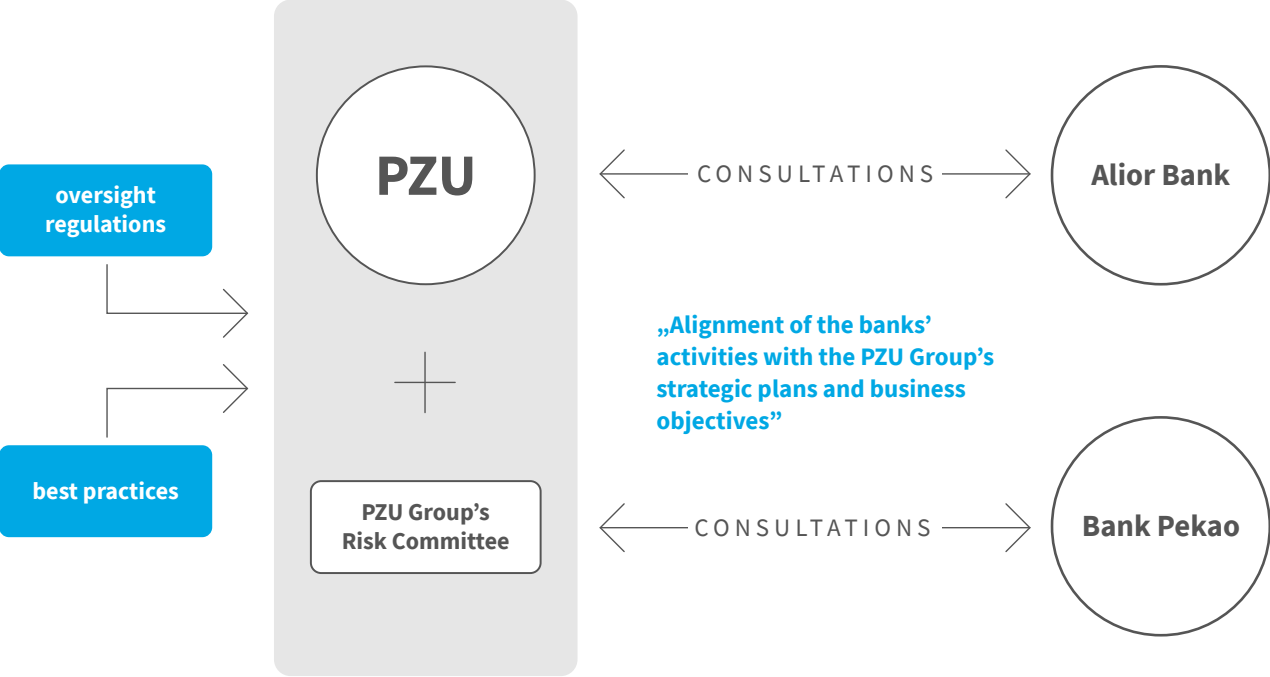
6.3. Risk appetite

**PZU Group’s risk appetite – the level of risk assumed to achieve business objectives, measured by the level of potential financial losses, decrease in the value of assets or increase in the value of liabilities within one year.**

Risk appetite defines the maximum permissible risk level while setting limits and restrictions for the various partial risks and the level above which remedial actions are taken to curtail further risk expansion.

The process of determining the risk appetite and risk limits for each risk category consistent with the Group’s process has been implemented in all the insurance entities in the PZU Group. The management board of each entity determines the risk appetite, risk profile and risk tolerance reflecting its financial plans, business strategy and the objectives of the entire PZU Group. This approach ensures the adequacy and effectiveness of the risk management system in the PZU Group and prevents the acceptance of risk levels that could jeopardize the financial stability of individual entities or the entire PZU Group. The determination of the appropriate level of risk in each entity is the Management Board’s responsibility, whereas a review of the risk appetite values is conducted once a year by the unit responsible for risk. All these measures are coordinated at the PZU Group level.

Process of determining the risk appetite in the PZU Group



The risk appetite is set at least once a year also by the two banks from the PZU Group. They do it in accordance with the supervisory regulations (including those following from recovery plans) and the best practices. However, this process is personalized to reflect the business strategy and capital structure of each entity. Risk appetite in these companies is consulted with the PZU Group’s parent company and the subject matter of opinions issued by the PZU Group Risk Committee. The aim is to ensure consistency between the activities carried out by the banks and the strategic plans and business objectives of the PZU Group as a whole and maintain an acceptable level of risk at the entire Group level. Once agreed, the level of risk appetite is then approved by the banks’ Supervisory Boards.

6.4. Risk management process

Two levels are distinguished in the risk management process:

**I – GROUP LEVEL** – monitoring the limits and risks specific to the Group

Risk management at this level is supposed to ensure that the PZU Group attains its business objectives in a safe manner appropriate to fit the scale of the risk incurred. The PZU Group provides its subsidiaries with support in the implementation of a risk management system.

Risk management on the Group level includes the introduction of compatible mechanisms, standards and organization of an efficient internal control system (with particular emphasis on the compliance function), the risk management system (especially in the reinsurance area) and the security

management system in the PZU Group. It also involves their ongoing monitoring. The PZU Group’s designated personnel cooperates with the management boards of entities and managers of such areas as finance, risk, actuarial services, reinsurance, investments and compliance on the basis of mutual cooperation agreements.

In connection with the PZU Group obtaining the status of a financial conglomerate, a risk concentration management

**The risk management process consists of the following stages:**

**Identification**

Begins with the proposal to commence the creation of an insurance product, acquire a financial instrument, change the operating process, as well upon the occurrence of any other event which potentially results in a risk. The identification process takes place until the expiry of the liabilities, receivables or activities related to the given risk. The identification of market risk involves recognising the actual and potential sources of such risk which are then identified as to their relevance.

**Risk measurement and assessment**

Risk measurement and assessment are performed depending on the characteristics of the given risk type and the level o its relevance.The risk assessment is performed by specialised units. In every company,the risk unit is responsible for development of risk assessment tools and risk assessment process to the extent which specifies risk appetite, risk profile and risk tolerance.

**Risk monitoring and control**

This involves ongoing reviews of any variances from the assumed parameters, namely limits, thresholds, plans, values from the previous period, recommendations and guidelines issued.

**Reporting**

Allows efficient risk communication and supports risk management at various decision-making levels.

**Management actions**

These activities encompass among others risk mitigation, risk transfer, risk avoidance, specifying risk appetite, acceptance of risk tolerance levels, as well as tools which facilitate such activities, i.e. thresholds, reinsurance plans and reviews of underwriting policy.

system has been implemented. Thanks to that, individual entities execute their business objectives, maintaining their own financial stability and the financial stability of the entire PZU Financial Conglomerate.

The system monitors the risk concentration measures and their limits and threshold values. Risk measurement permits identification of the sources of concentration in individual risks at the level of both the PZU Financial Conglomerate and individual regulated entities. It also makes it possible to assess the impact of the concentrations on financial stability.

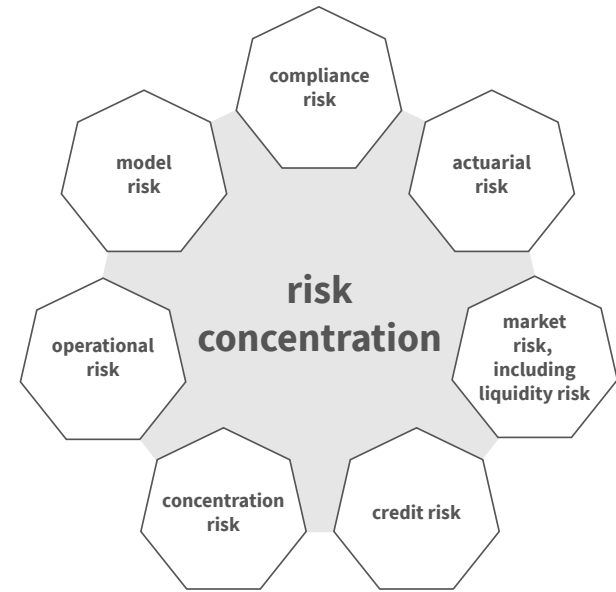
**II – ENTITY LEVEL** – monitoring of limits and risks specific to the entity

Risk management at this level is supposed to ensure that individual PZU Group entities attain their business objectives in a safe manner appropriate to fit the scale of the risk incurred. This is supported by:

- monitoring of the limits and unique risk categories existing in the given entity,
- implementation of effective mechanisms and standards,
- organization of an effective internal control system (with particular emphasis on the compliance function), the risk management system (especially in the reinsurance area) and the security management system in the PZU Group.

6.5. Group’s risk profile

Major risks in the PZU Group





# 6. Risk management



The major risks to which the PZU Group is exposed include the following: actuarial risk, market (including liquidity) risk, credit risk, concentration risk, operational risk, model risk and compliance risk.



The major risks associated with the operation of Alior Bank and Bank Pekao include the following risks: credit risk (including the risk of loan portfolio concentration), operational risk and market risk (involving interest rate risk, FX risk, commodity price risk and financial instrument price risk) and liquidity risk.

The overall risk of the banking sector entities, taking into account PZU's shares in both banks, accounts for approximately 33% of the PZU Group's total risk (Q3 2022), while the largest contribution is in credit risk.

In 2022, moderate increase in risk was recorded in some areas, in particular capital adequacy and regulatory risk, credit risk and interest rate risk. The 2022 interest rate increase reflected negatively on the level of solvency ratios as valuations of debt securities dropped; however, it is yet to translate into material deterioration of credit quality of PZU Group's bank portfolio. In 2022, there was a moderate increase in credits costs, which stems from a significant rise of the NBP reference rate due to higher inflation and slower economic growth. Furthermore, the KNF (the Polish Financial Supervision Authority) issued its recommendations on higher requirements applied to examine the client's creditworthiness, consequently limiting sales. Also, banks were burdened with additional regulatory fees (introduction of credit holiday, additional premium for the Borrower Support Fund, premium for the Commercial Bank Protection System) and increased reserves on account of a growing number of lawsuits and settlements pertaining to Swiss franc loans. These factors have a negative impact on financial results of banks, and in the long term may limit the capital base and business development in the future.

In 2022, initiatives were continued to improve the identification, measurement, assessment and monitoring of the risks associated with sustainable development, in particular with climate changes. The main risks in this area are transition risks and physical risks, which are managed as part of individual risk categories specified below in this Report.

According to the European Commission guidance for non-financial reporting, transition risks refer to the transition of the economy to a low-carbon and climate-resilient future. Physical risk on the other hand entails financial losses stemming from the physical consequences of climate change and encompasses acute (e.g. storms, fires) and long-term risk (rising sea level).

The management process for managing various risk categories comprises requirements of sustainable development, and the same applies at the level of each PZU Group subsidiary, in compliance with prevailing provisions of law and individually defined PZU Group internal policies, including the ESG Strategy which constitutes an integral part of the PZU Group Strategy.

## Actuarial risk

This is the likelihood of a loss or an adverse change in the value of liabilities under the existing insurance contracts and insurance guarantee agreements, due to inadequate assumptions regarding premium pricing and creating technical provisions.

Risk identification commences with a proposal to develop an insurance product and continues until the expiry of the related liabilities. The identification of actuarial risk is performed, among others, as follows:

- analyzing the general terms and conditions of insurance with respect to the risk being undertaken and compliance with the generally binding legal regulations;
- analyzing the general / specific terms and conditions of insurance or other model agreements with respect to the actuarial risk being undertaken on their basis;
- recognizing the potential risks related to a given product to measure and monitor them at a later time;
- analyzing the impact exerted by the introduction of new insurance products on capital requirements and risk margin computed using the standard formula;
- verifying and validating modifications to insurance products;
- assessing actuarial risk through the prism of similar existing insurance products;
- monitoring of existing products;
- analyzing the policy of underwriting (assessment of the risk accepted for insurance), tariffs, technical provisions and reinsurance and the claims and benefits handling process.

The assessment of actuarial risk consists in the identification of the degree of the risk or a group of risks that may lead to a loss, and in an analysis of risk elements in order to make an underwriting decision.

The measurement of actuarial risk is performed using:

- an analysis of selected ratios;

- the scenario method – an analysis of impairment arising from an assumed change in risk factors;
- the factor method – a simplified version of the scenario method, reduced to one scenario per risk factor;
- statistical data;
- exposure and sensitivity measures;
- application of the expertise of the Company's employees.

The monitoring and control of actuarial risk includes a risk level analysis by means of a set of reports on selected ratios.

Reporting aims to ensure effective communication regarding actuarial risk and supports management of actuarial risk at various decision-making levels – from an employee to the supervisory board. The frequency of each report and the scope of information provided therein are tailored to the needs at each decision-making level.

The management actions contemplated in the actuarial risk management process are performed by doing the following:

- defining the level of tolerance for actuarial risk and monitoring it;
- business decisions and sales plans;
- calculation and monitoring of the adequacy of technical provisions;
- tariff strategy, monitoring of current estimates and assessment of the premium adequacy;
- the process of assessment, valuation and acceptance of actuarial risk;
- application of tools designed to mitigate actuarial risk, including in particular reinsurance and prevention.

Moreover, mitigation of the actuarial risk inherent in current operations is supported by:

- defining the scopes of liability in the general / specific terms and conditions of insurance or other model agreements;
- co-insurance and reinsurance;
- application of an adequate tariff policy;
- application of the appropriate methodology for calculating technical provisions;
- application of an appropriate procedure to assess underwriting risk;
- application of a correct claims or benefits handling procedure;
- sales decisions and plans;
- prevention.

## Market risk, including liquidity risk

**Market risk** is understood as the risk of a loss or an adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, credit spread, as well as value of liabilities and financial instruments.

The risk management process for the credit spread and concentration risk has a different set of traits from the process of managing the other sub-categories of market risk and has been described in a subsequent section (credit risk and concentration risk) along with the process for managing counterparty insolvency risk.

The market risk in the PZU Group originates from three major sources:

- operations associated with asset and liability matching (ALM portfolio);
- operations associated with active allocation, i.e. designating the optimum medium-term asset structure (AA portfolios);
- banking operations – in conjunction with them the PZU Group has a material exposure to interest rate risk.



Numerous documents approved by supervisory boards, management boards and relevant committees govern investment activity in the PZU Group entities.

Market risk identification consists in the identification of actual and potential sources of this type of risk. For assets, the identification of risk begins with the decision to commence transactions in a given type of financial instrument. Units that make a decision to start entering into such transactions draw up a description of the instrument containing, in particular, a description of the risk factors. They convey this description to the unit responsible for risk that identifies and assesses market risk on that basis.

The identification of market risk associated with insurance liabilities commences with the process of developing an insurance product. It involves identification of the relationship between the cash flows generated by that product and the relevant market risk factors. The identified market risks are subject to assessment using the criterion of materiality, specifying whether the materialization of risk entail a loss capable of affecting the financial condition.

Market risk is measured using the following risk measures:

- VaR, or value at risk, a measure quantifying the potential economic loss that will not be exceeded within a period of one year under normal conditions, with a probability of 99.5%;

# 6. Risk management

- standard formula;
- exposure and sensitivity measures;
- accumulated monthly loss.

In the case of banking entities suitable measures are employed in accordance with the regulations applicable to this sector and best market practices.

Market risk measurement is divided into stages, in particular:

- collection of information on assets and liabilities that generate market risk;
- calculating the value of risk.

The risk measurement is performed:

- daily – for exposure and sensitivity measures of the instruments in systems used by particular PZU Group companies;
- monthly – when using the value at risk model for market risk or a standard formula.

Monitoring and control of market risk involves an analysis of the level of risk and of the utilization of the designated limits.

Reporting involves communicating to the various decision-making levels information concerning the level of market risk and the results of monitoring and controlling it. The frequency of each report and the scope of information provided therein are tailored to the information needs at each decision-making level.

Management actions in respect of market risk involve in particular:

- execution of transactions serving the purpose of mitigation of market risk, i.e. selling a financial instrument, closing a position on a derivative, purchasing a derivative to hedge a position;
- diversification of the assets portfolio, in particular with respect to market risk categories, maturities of instruments, concentration of exposure in one entity, geographical concentration;
- setting market risk restrictions and limits.

The application of limits is the primary management tool to maintain a risk position within the acceptable level of risk tolerance. The structure of limits for the various categories of market risk and also for the various organizational units is established by appointed committees in such a manner that the limits are consistent with risk tolerance as agreed by the management boards of the subsidiaries. Banking sector

entities are in this respect subject to additional requirements in the form of sector regulations. The existing interest rate volatility may impact the level of solvency ratios through decreasing valuations of debt securities in portfolios of the PZU Group entities. An increase in interest rates and turmoil in financial markets brought about by the Russia-Ukraine war resulted in higher use of market risk limits in banks. However, this still remains at a safe level.

Changes in financial markets also pertain to PZU and PZU Życie portfolios. Nonetheless, most portfolios are HTM in accounting terms and therefore these changes do not affect their value and profitability.

Changes in macroeconomic conditions which took place in 2022 affected capital requirements levels. Throughout three quarters of 2022, the value of capital requirements related to market risk of the PZU Group increased by 5%, which was largely due to an increase in interest rate risk. No risk of exceeding the risk appetite was recorded, and solvency ratios in both companies prove their strong capital position.

Considering the market changes, the insurance market is subject to additional stress tests imposed by the regulatory authority.

**Financial liquidity risk** means the possibility of losing the capacity to settle, on an ongoing basis, the PZU Group's liabilities to its clients or business partners. The liquidity risk management system aims to maintain the capacity of fulfilling the entity's liabilities on an ongoing basis. Liquidity risk is managed separately for the insurance part and the bancassurance part.

The risk identification involves analysis of the possibility of occurrence of unfavorable events, in particular:

- shortage of liquid cash to satisfy the current needs of the PZU Group entity;
- lack of liquidity of financial instruments held;
- the structural mismatch between the maturity of assets and liabilities.

Risk assessment and measurement involve estimation of the shortage of cash to pay for liabilities. The risk estimate and measurement is carried out from the following perspectives:

- liquidity gaps (static, long-term financial liquidity risk) – by monitoring a mismatch of net cash flows resulting from insurance contracts executed until the balance sheet date and inflows from assets to cover insurance liabilities in each period, based on a projection of cash flows prepared for a given date;

- potential shortage of financial funds (medium-term financial liquidity risk) – through analysis of historical and expected cash flows from the operating activity;
- stress tests (medium-term financial liquidity risk) – by estimating the possibility of selling the portfolio of financial investments in a short period to satisfy liabilities arising from the occurrence of insurable events, including extraordinary ones;
- current statements of estimates (short-term financial liquidity risk) – by monitoring demand for cash reported by business units of an insurance undertaking in the PZU Group by the date defined in regulations which are in force in that entity.



The banks in the PZU Group employ the liquidity risk management metrics stemming from sector regulations, including Recommendation P issued by the Polish Financial Supervision Authority.

To manage the liquidity of the banks in the PZU Group, liquidity ratios are used for different periods ranging from 7 days, to a month, to 12 months and to above 12 months.

Within management of liquidity risk, banks in the PZU Group also analyze the maturity profile over a longer term, depending to a large extent on the adopted assumptions about development of future cash flows connected with items of assets and equity and liabilities. The assumptions take into consideration:

- stability of equity and liabilities with indefinite maturities (e.g. current accounts, cancellations and renewals of deposits, level of their concentration);
- possibility of shortening the maturity period for specific items of assets (e.g. mortgage loans with an early repayment option);
- possibility of selling items of assets (liquidity portfolio).

Monitoring and controlling financial liquidity risk involves analyzing the utilization of the defined limits.

In the first half of 2022, the banking sector, including banks of the PZU Group, faced decreasing liquidity. It mostly resulted from continued increase in profitability of fixed coupon securities leading to decreased value of banks' portfolios of debt securities which constitute liquidity reserve. Additionally, the decreased liquidity was also caused by the decision of the Monetary Policy Council (MPC) on increasing the reserve requirement since the end of March 2022.

The outbreak of the Russia-Ukraine war first increased cash withdrawals in ATMs and bank branches, thereby it was necessary to introduce daily limits, especially regarding foreign currencies. However, this situation quickly calmed down and stabilized.

In the second half of 2022, PZU Group banks recorded improved liquidity ratios. Increase in liquidity measures largely resulted from higher volume of term deposits while simultaneously decreasing dynamics of loans granted, and improving assessment of derivative and debt instruments.

In the second half of 2022, liquidity ratios of both banks stabilized, and remain at high and safe levels.

The current conditions did not have a material impact on liquidity risk of PZU Group's insurance business in 2022. This liquidity was maintained at a safe level, and there were no grounds to take extraordinary management actions in terms of liquidity risk. As part of routine management actions regarding liquidity risk, the PZU Group constantly monitored the level of available liquid funds and the current utilization of liquidity limits.

Liquidity risk reporting involves communicating the level of financial liquidity to various decision-making levels. The frequency of each report and the scope of information provided therein are tailored to the information needs at each decision-making level.

The following measures aim to reduce financial liquidity risk:

- maintaining cash in a separate liquidity portfolio at a level consistent with the limits for the portfolio value;
- maintaining sufficient cash in a foreign currency in portfolios of investments earmarked for satisfying insurance liabilities denominated in the given foreign currency;
- provisions of the Agreement on managing portfolios of financial instruments entered into between TFI PZU and PZU regarding limitation of the time for withdrawing cash from the portfolios managed by TFI PZU to at most 3 days after a request for cash is filed;
- keeping open credit facilities in banks and/or the possibility of performing sell-buy-back transactions on treasury securities, including those held until maturity;
- centralization of management of portfolios/funds by TFI PZU;
- limits of liquidity ratios in the banks belonging to the PZU Group.

# 6. Risk management

## Credit risk and concentration risk

**Credit risk** is understood as the risk of a loss or an adverse change in the financial situation resulting from fluctuations in the reliability and creditworthiness of issuers of securities, counterparties and all debtors. It materializes in the form of a counterparty's default on a liability or an increase in credit spread. The following risk categories are distinguished in terms of credit risk:

- spread;
- counterparty default risk;
- credit risk in financial insurance.

**Concentration risk** is understood as the possibility of incurring loss stemming either from lack of diversification in the asset portfolio or from large exposure to default risk by a single issuer of securities or a group of related issuers.

Credit risk and concentration risk are identified at the stage of making a decision on an investment in a new type of financial instrument or on accepting credit exposure. It involves an analysis of whether the contemplated investment entails credit risk or concentration risk, what its level depends on and what its volatility over time is. Actual and potential sources of credit risk and concentration risk are identified.

Risk assessment consists of estimating the probability of risk materialization and the potential impact exerted by risk materialization on a given entity's financial standing.

The measurement of credit risk is performed using:

- measures of exposure (gross and net credit exposure and maturity-weighted net credit exposure);
- capital requirement calculated using the standard formula.

Concentration risk for a single entity is calculated using the standard formula.

A measure of total concentration risk is the sum of concentration risks for all entities treated separately. In the case of related parties, concentration risk is calculated for all related parties jointly.

In the case of banking entities suitable measures are employed in accordance with the regulations applicable to this sector and best market practices. Credit risk is measured using a set of loan portfolio quality metrics.

Monitoring and control of credit risk and concentration risk involves an analysis of the current risk level, assessment of creditworthiness and calculation of the degree of utilization of existing limits. Such monitoring is performed, without limitation, on a daily, monthly and quarterly basis.

The monitoring pertains to:

- credit exposure in investment portfolios;
- credit risk exposures in financial insurance;
- exposures to reinsurance;
- exposure limits and risk tolerance limits;
- credit exposures in the processes in effect in banking entities.

Reporting involves providing information on the levels of credit risk and concentration risk and the effects of monitoring and control. The frequency of each report and the scope of information provided therein are tailored to the information needs at each decision-making level.

Management actions in respect of credit risk and concentration risk involve in particular:

- setting limits to curtail exposure to a single entity, group of entities, sectors or countries;
- diversification of the portfolio of assets and financial insurance, especially with regard to country and sector;
- acceptance of collateral;
- execution of transactions to mitigate credit risk, i.e. selling a financial instrument, closing a derivative, purchasing a hedging derivative, restructuring a debt;
- reinsurance of the financial insurance portfolio.

The structure of credit risk limits and concentration risk limits for various issuers is established by appointed committees in such a manner that the limits are consistent with the adopted risk tolerance determined by the management boards of the respective subsidiaries and in such a manner that they make it possible to minimize the risk of 'infection' between concentrated exposures.

In banking activity the provision of credit products is accomplished in accordance with loan granting methodologies appropriate for a given client segment and type of product. The assessment of a client's creditworthiness preceding a credit decision is performed using tools devised to support the credit process, including a scoring or rating system, external information and the internal databases of a given PZU Group bank. Credit products are granted in accordance with the

binding operational procedures stating the relevant actions performed in the lending process, the units responsible for that and the tools used.

To minimize credit risk, adequate collateral is established in line with the credit risk incurred. The establishment of a security interest does not waive the requirement to examine the client's creditworthiness.

PZU Group banks did not record material deterioration of portfolio credit quality in 2022.

Nonetheless, a moderate increase in credit risk costs was observed, caused by economic downturn.

A significant increase in inflation and interest rates of 2022 translated into a material increase in credit instalments for variable interest rate credits. Thus far, this has not materially deteriorated quality of credit portfolios of PZU Group banks. The problems that a borrower may have faced in 2022 were effectively mitigated by implementing measures of public aid in terms of changes in the Borrower Support Fund and payment moratoria – the so-called credit holiday.

The outbreak of the Russian–Ukrainian war did not directly cause the worsening value of credit portfolios. Banks identified exposures to clients at high risk that are either direct (stemming from operations conducted in Ukraine, Russia or Belarus, holding assets there and business ties in terms of deliveries or sales) or indirect (i.e. high share of imports or exports, high number of Ukrainian employees). The exposures were covered by closed monitoring, however, the risk has not yet materialized to a significant degree. Banks introduced special guidelines to limit financing for entities exposed to the risk of armed conflict by, among others, disallowing stronger involvement, necessity to replenish the loan collateral to 100% of the debt collection value, deciding not to process applications in line with simplified terms excluding risk.

However, as the economic situation continues to worsen in 2023 and it is possible that the conflict in Ukraine may escalate further, it is expected that the credit portfolio will deteriorate.

## Operational risk

Operational risk is the risk of suffering a loss resulting from improper or erroneous internal processes, human activities, system failures or external events.

Operational risk is identified in particular by:

- accumulation and analysis of information on operational risk incidents and the reasons for their occurrence;
- self-assessment of operational risk;
- scenario analysis.

Operational risk is assessed and measured by:

- calculating the effects of the occurrence of operational risk incidents;
- estimating the effects of potential operational risk incidents that may occur in the business.

Monitoring and control of operational risk is supported mainly by an established system of operational risk indicators and limits enabling assessment of changes in the level of operational risk over time and assessment of factors that affect the level of this risk in the business.

Reporting involves communicating to the various decision-making levels information concerning the level of operational risk and the results of monitoring and controlling it. The frequency of each report and the scope of information provided therein are tailored to the information needs at each decision-making level.

Management actions involving reactions to any identified and assessed operational risks involve primarily:

- taking actions aimed at minimizing risks, for instance by strengthening the internal control system;
- risk transfer – in particular, by entering into insurance agreements;
- risk avoidance by refraining from undertaking or withdrawing from a particular type of business in cases where too high a level of operational risk is ascertained and where the costs involved in risk mitigation are unreasonable;
- risk acceptance – approval of consequences of a possible realization of operational risk unless they threaten to exceed the operational risk tolerance level.



Both banks in the PZU Group, upon KNF's consent, apply advanced individual models to measure operational risk and to estimate capital requirements on account of this risk.

On 28 January 2022, PZU and PZU Życie established the Crisis Management Team in the light of the attack by the armed forces of the Russian Federation on Ukraine. The announced Crisis Situation means that there is ongoing monitoring of the





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current political and market situation, and adequate measures are introduced to ensure, in particular:

- safety of employees;
- business continuity of the companies and security of financial assets of the PZU Group;
- additional safety measures in terms of cybersecurity and physical safety.

PZU introduced a comprehensive care program addressed to employees of PZU Ukraine and their families evacuated to Poland. It provides, among others, accommodation, food, financial support, medical and legal aid, and professional activation plans.

The task unit of the Crisis Management Team continuously monitors the situation of Ukrainian companies, also in terms of reaching the assumptions of the “Crisis Situation Management Plan”, as prepared by Ukrainian companies.

Many charity initiatives addressed to Ukraine and its nationals are underway, taken individually or in cooperation with state administrative bodies and PZU Group entities, in particular with PZU Zdrowie and the PZU Foundation. The initiated measures include:

- support for Ukrainian nationals at border crossings (purchase of powerbanks, thermal blankets, mattresses, bedding and hygiene products);
- aid for the hospital in Tomaszów Lubelski and medical posts at the border by delegating doctors and medical personnel of PZU Zdrowie, purchasing materials and medical equipment;
- organization of 24/7 points of sale of TPL policies at border crossings;
- purchasing materials and delivering them to Ukraine, i.e. medicines, food, hygiene products, specialized (infrastructure) measures, personal protective equipment, etc.;
- support and coordination of volunteer actions organized by the PZU employees;
- organization of travel for Ukrainian children to PZU Good Summer Camps (PZU Dobre Kolonie);
- adjusting and equipping the preparatory school in Zamość;
- providing medical equipment and supplies to the National Rehabilitation Centre “Niezłotni” organized in Lviv;
- purchasing and delivering support packages for children in care facilities in Chortkiv;

- subsidising charity concerts to raise funds for those affected by the war in Ukraine;
- delivering essential foodstuffs and industrial goods to the point in Festov;
- funding Children's Day gifts for Ukrainian children appropriate to their age;
- purchasing sports equipment for Ukrainian children training in sports clubs in Poland (e.g. UKS Feniks Dębica, Olimpia Elbląg);
- purchasing materials for the refugee accommodation center at the Primary School no. 14 in Przemyśl.

Additional cybersafety measures were introduced to mitigate risk with increasing probability of materialization. Anomalies in terms of cyber threats, extending to subsidiaries, are under continuous 24/7 monitoring. Due to the nationwide implementation of CRP Alert Level 3 (CHARLIE-CRP) and Alert Level 2 (BRAVO), a heightened state of readiness of the physical and cyber security areas has been maintained continuously since February 2022.

The Crisis Management Team also remains on standby to address the epidemic emergency.

## Model risk

Model risk, classified by the PZU Group as significant, is defined as the risk of incurring financial losses, incorrectly estimating data reported to the regulatory authority, taking incorrect decision or losing reputation as a result of errors in the development, implementation or application of models.



The formal identification and assessment process for this risk was implemented in PZU and PZU Życie to ensure high-quality practices for model risk assessment.

The model risk management process involves:

- risk identification, which takes place through regular identification of the models used in the areas covered by the process; identified models are assessed for materiality;
- risk measurement, which is based on the results of independent model validations and monitoring;
- risk monitoring, which involves ongoing analysis of deviations from the adopted points of reference regarding the model risk (e.g. verification of the recommendation execution method and comparison of the risk level to the adopted tolerance level);

- risk reporting, which involves communicating the process results on the appropriate management level, in particular results of risk monitoring, validation and measurement;
- management actions, which aim to mitigate the model risk level; they can be active (e.g. recommendations resulting from completed validations) and passive (developing model and model risk management standards).



In the entities from the banking sector, given the high significance of model risk, the management of this risk has already been implemented in the course of adaptation to the requirements of

Recommendation W issued by the KNF. Both PZU Group banks have defined standards for the model risk management process, including the rules for developing models and evaluating the quality of their operation, ensuring at the same time appropriate corporate governance solutions.

## Compliance risk

The compliance risk understood as the risk that the PZU Group may infringe on the law, internal regulations and adopted standards of conduct, including ethical standards, which results or may result in:

- being subject to legal sanctions;
- incurring financial loss;
- or loss of reputation or credibility.

PZU makes efforts aimed at ensuring adequate and uniform standards of compliance solutions in all subsidiaries and monitors compliance risk throughout the entire Group.

In 2022 the compliance systems of PZU Group entities were aligned with the standards set by PZU.

The provision of full information on compliance risk in Group companies is the responsibility of their compliance units. They are required to assess and measure compliance risk, undertake and implement appropriate remedial actions, which reduce the likelihood of realization of this risk.

PZU Group entities are obligated to provide ongoing information on compliance risk to the PZU Compliance Department. The Compliance Department analyses and processes information received from PZU Group entities, in particular to:

- assess compliance risk at the level of the PZU Group and execute the compliance function in the PZU Group;

- prepare reports and management information regarding the efficiency and adequacy of the compliance function in the PZU Group, and submit them to the Management Board and the Supervisory Board of PZU;
- prepare and develop uniform standards pertaining to the functioning of the effective internal control system in the PZU Group entities;
- prepare, develop and promote common training and information standards.

The tasks of the PZU Compliance Department also include:

- issuing guidelines and recommendations in the area of compliance, taking into account principles of proportionality and adequacy, and monitoring their implementation;
- providing substantive support and advisory for the PZU Group entities in performing the compliance function tasks.

Compliance risk includes, in particular, the risk that the operations performed by PZU Group entities will be out of line with the changing legal environment. This risk may materialize as a result of delayed implementation or absence of clear and unambiguous laws, or what is known as a legal gap. This may cause irregularities in the PZU Group’s business and, as a result, lead to higher costs (for instance, administrative penalties, other financial penalties) and a heightened level of loss of reputation risk.

Due to the broad spectrum of the PZU Group’s business, reputation risk is also affected by the risk of litigation is predominantly inherent in the Group’s insurance companies and banks.

The identification and assessment of compliance risk for each internal process in PZU Group entities is the responsibility of the heads of organizational units, in accordance with the allocation of responsibility for reporting. Moreover, compliance units in PZU Group entities identify compliance risk on the basis of notifications to the register of conflicts of interest, gifts and irregularities, and from inquiries sent to them.

Compliance risk is assessed and measured by calculating the effects of risk materialization of the following types:

- financial risks, resulting among others from the possibility of imposing administrative penalties, court judgments, decisions issued by UOKiK, contractual penalties and damages,
- intangible risks pertaining to a loss of reputation, including damage to the PZU Group’s image and brand.

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Compliance risk is monitored through:

- systemic analysis of the regular reports received from the heads of organizational units and cells;
- monitoring of regulatory requirements and adaptation of the business to the changing legal environment of PZU Group entities;
- participation in the legislative work on amendments to generally prevailing provisions of law;
- performing diverse activities in industry organizations;
- coordination of external control processes;
- monitoring of implementation of recommendations issued following internal audits;
- coordination of the fulfilment of disclosure obligations imposed by the stock exchange (in respect of PZU) and by statute;
- popularization of knowledge on compliance among PZU Group employees;
- monitoring implementation of recommendations issued to a PZU Group entity;
- ensuring uniform standards and consistent implementation of the compliance function within the PZU Group.

Management actions in response to compliance risk include in particular:

- acceptance of the risk arising, without limitation, from legal and regulatory changes;
- mitigation of the risk, including by: adjustment of procedures and processes to changing regulatory requirements, evaluation and design of internal regulations to suit compliance needs, participation in the process of agreeing on marketing activities;
- avoidance of risk by preventing any involvement of PZU Group entities in activities that are out of compliance with the applicable regulatory requirements, best market practices or activities that may have an unfavorable impact on the PZU Group's image.

As part of efforts aimed at reducing compliance risk in the PZU Group at system level and day-to-day level, the following risk mitigation actions are undertaken:

- continuous implementation of an effective compliance function as a key management function;
- participation in consultations with legislative and regulatory authorities (supervised entities within the PZU Group) at the stage of development of the regulations (social consultations);

- delegating representatives of the PZU Group's supervised entities to participate in the work of various commissions of regulatory authorities;
- facilitating the cooperation with the Insurance Guarantee Fund;
- participation in implementation projects for new regulations;
- training of staff on new regulations and standards of conduct;
- issuing opinions on internal regulations and recommending possible amendments to ensure compliance with the applicable laws and accepted standards of conduct;
- verifying procedures and processes in the context of their compliance with the applicable laws and accepted standards of conduct;
- aligning documentation to upcoming changes in legal requirements before they are enacted;
- systemic supervision exercised by PZU over the execution of the compliance function in PZU Group entities;
- analyses and ongoing monitoring of the application of "Chinese wall" rules – in connection with the additional investor commitments made by PZU on 31 April 2017 in connection with the proceedings under the notification on the intent to purchase Bank Pekao's shares;
- ongoing monitoring of changes in the legal and regulatory environment in order to identify gaps or areas requiring action to ensure compliance.

The actions in 2022 in the compliance area were also associated with the PZU Group continuing to meet the criteria for treating it as a financial conglomerate, and hence applying supplementary oversight to it under the Act of 15 April 2005 on supplementary oversight over credit institutions and insurance undertakings, reinsurance undertakings and investment firms comprising a financial conglomerate.

Moreover, the compliance area was involved in the work on aligning the Company to the requirements stemming among others from the following legal acts:

- Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, entered into force;
- Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, amending Regulation (EU) 2019/2088;
- Commission Delegated Regulation (EU) 2021/1257 of 21 April 2021 amending Delegated Regulations (EU) 2017/2358 and

(EU) 2017/2359 as regards the integration of sustainability factors, risks and preferences into the product oversight and governance requirements for insurance undertakings and insurance distributors and into the rules on conduct of business and investment advice for insurance-based investment products;

- Commission Delegated Regulation (EU) 2021/1256 of 21 April 2021 amending Delegated Regulation (EU) 2015/35 as regards the integration of sustainability risks in the governance of insurance and reinsurance undertakings;
- Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 with regard to regulatory technical standards specifying the presentation of information in relation to sustainability indicators;
- Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law;
- International Financial Reporting Standard 17 "Insurance Contracts" (IFRS 17);
- Act of 9 February 2022 Amending the Commercial Company Code and certain other acts;
- Act of 18 November 2020 on Electronic Deliveries;
- draft Act on Protection of Whistleblowers;
- draft Act amending certain acts in connection with commitment to develop financial market and protect investors on that market;
- draft Regulation of the European Parliament and of the Council on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014 and (EU) No 909/2014 ("DORA");
- proposed amendments to the Labor Code, including with regard to the implementation into the national law of Directive 2019/1152 of 20 June 2019 on transparent and predictable working conditions in the European Union (Information Directive) and Directive 2019/1158 of 20 June 2019 on work-life balance for parents and carers and repealing Council Directive 2010/18/EU (Work-Life Balance Directive).

Moreover, in 2021, PZU Życie implemented the necessary measures that ensured adaptation to the product intervention (KNF's decision of 15 July 2021 prohibiting the marketing, distribution and sale of investment products – life insurance agreements if they feature unit-linked funds). The offer, modified in January 2022, included solely and exclusively products that met all the criteria set forth in the decision issued by the regulatory authority.

## Risk concentration

When managing the various categories of risk, the PZU Group identifies, measures and monitors risk concentration. Compliance with the regulatory obligations imposed on groups identified as financial conglomerates is supported by the model introduced in 2020 to manage significant risk concentration in the PZU Financial Conglomerate in keeping with the requirements of the Supplementary Supervision Act.

Supplementary supervision protects the financial stability of lending institutions, insurance undertakings, reinsurance undertakings and investment firms being members of financial conglomerates. The supervision is exercised, among others, through measuring the risk concentration level in the financial conglomerate as a whole, also from the perspective of regulated entities being its members.

The implementation of this model served the purpose of defining the risk concentration management principles and supporting the units involved in the process, in particular through:

- defining the roles and responsibilities of individual participants of the significant risk concentration management process;
- introducing consistent risk definitions;
- introducing the principles of identifying, measuring and assessing risk;
- determining the risk profile of exposures identified as material concentration;
- defining the risk limits and threshold values;
- defining the principles of monitoring significant risk concentrations;
- introducing the principles of reporting and management decision-making.

Regulated subsidiaries monitor and submit regular reports to the leading entity in the PZU Financial Conglomerate on the measures and data required to identify risk concentrations. In the case of identification of an excessive risk concentration, management actions are implemented on the level of the given entity or the whole financial conglomerate.

Risk concentration is measured and monitored, in particular, in the following dimensions:

- concentration per counterparty or group of counterparties;
- concentration per currency;
- concentration per sector of economy;
- concentration per country;
- concentration per asset type.

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### 6.6. Risk vulnerability

#### Risk pertaining to financial assets

The table below summarizes the results of sensitivity analysis on the value of the investment portfolio to volatility in interest rates, FX rates and the prices of equities. This analysis does not take into account the impact exerted by changing interest rates on the insurance agreements presented in liabilities or the investment contracts and receivables due from bank clients.

Financial assets exposed to exchange risk include the PZU Group's investment financial assets and financial derivatives denominated in foreign currencies.

**Interest rate risk** – the possibility of incurring a loss as a result of changes in the value of financial instruments or assets and a change in the present value of projected cash flows from

liabilities, caused by changes in the term structure of market rates or in the volatility of risk-free market interest rates.

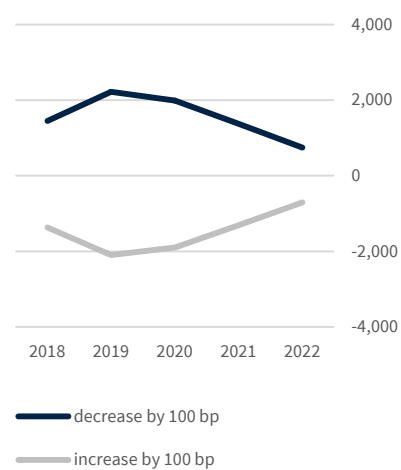
**Foreign exchange risk** – the possibility of incurring loss as a result of changes in the value of assets, liabilities and financial instruments, caused by changes in the level or in the volatility of currency exchange rates.

**Equity price risk** – the possibility of incurring loss as a result of changes in the values of assets, liabilities and financial instruments caused by changes in the level or in the volatility of market prices of equities.

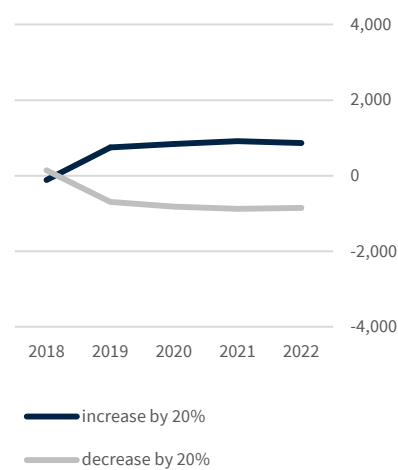
The differences in asset portfolio sensitivity between 2019 and 2020 ensue from the execution of the adopted investment strategy and the adjustment of the investment portfolio to it.

Sensitivity of the asset portfolio (in PLN m)	Change of the risk factor	Change in portfolio value	
		31 December 2021	31 December 2022
Interest rate risk	decrease by 100 bp	1,373	747
	increase by 100 bp	(1,313)	(709)
Currency risk	increase by 20%	912	861
	decrease by 20%	(874)	(852)
Equity instruments price risk	increase by 20%	136	288
	decrease by 20%	(136)	(288)

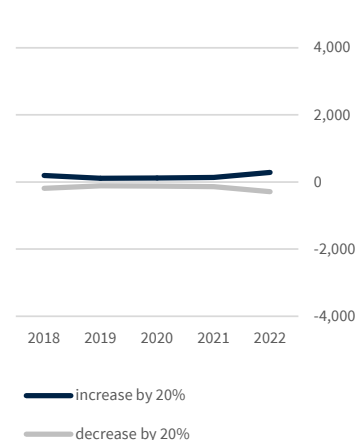
Interest rate risk



Currency risk



Equity instruments price risk



The table below presents the contractual level of sensitivity of net interest income (NII) to a 100 bp change in interest rates and sensitivity of the economic value of equity (EVE) of PZU Group's banks to a 200 bps change in interest rates.

#### Risk pertaining to technical rates and mortality

Entity	Sensitivity in %	31 December 2021		31 December 2022	
		decrease	increase	decrease	increase
Pekao Group	NII	(7.51)%	(1.15)%	(3.85)%	0.16%
	EVE	3.36%	(6.31)%	3.10%	(5.75)%
Alior Bank Group	NII	(7.52)%	0.89%	(4.68)%	0.65%
	EVE	0.50%	(2.49)%	1.56%	(4.74)%

The table below presents a sensitivity analysis of the net result and equity to changes in the assumptions used to calculate the provision for the capitalized value of annuities. This analysis does not incorporate the impact exerted by changes in the valuation of deposits used to calculate the provision.

Impact of the change in assumptions regarding the provision for the capitalized value of annuities in non-life insurance on the net financial result and equity (in PLN m)	31 December 2021		31 December 2022	
	gross	net	gross	net
Technical rate - increase by 0.5 p.p.	457	425	509	474
Technical rate - decrease by 1.0 p.p.	(1,173)	(1,090)	(1,308)	(1,221)
Mortality at 110% of the currently assumed rate	139	134	156	149
Mortality at 90% of the currently assumed rate	(157)	(149)	(175)	(166)

Impact of the change in assumptions on provisions in annuity insurance in life insurance on the net financial result and equity (in PLN m)	31 December 2021	31 December 2022
Technical rate - decrease by 1.0 p.p.	(18)	(17)
Mortality at 90% of the currently assumed rate	(9)	(8)

Impact of the change in assumptions on provisions in life insurance, excluding provisions in annuity insurance, on the net financial result and equity (in PLN m)	31 December 2021	31 December 2022
Technical rate - decrease by 1.0 p.p.	(2,512)	(2,516)
Mortality at 110% of the currently assumed rate	(886)	(822)
110% morbidity and accident rate	(194)	(130)



6. Risk management

6.7. Reinsurance operations



Reinsurance protection in the PZU Group secures insurance activity, limiting the consequences of the occurrence of catastrophic phenomena that could adversely affect the financial standing of insurance undertakings. This task is performed through obligatory reinsurance contracts supplemented by facultative reinsurance.

Reinsurance treaties in PZU

PZU consciously and adequately protects the Company’s financial result against the results of materialization of natural risks, e.g. severe storms, floods, droughts or fires, associated with, among others, the climate change. For this purpose, the PZU Group runs, among others, periodic analyses of the non-life insurance portfolio for its exposure to natural disasters. The portfolio is divided into zones with specific degrees of exposure to the risk of floods and cyclones has been introduced. The values of prospective losses are assigned to each one of the zones under analysis. They correspond to the severity of a given phenomenon and, consequently, its specific probability level. On this basis, as part of the annual reinsurance cover program design process, the distribution of the level of possible catastrophic loss is estimated.

PZU uses reinsurance treaties to limit its risk related to catastrophic losses among others through a catastrophic non-proportional excess of loss treaty and a non-proportional excess of loss treaty for crop insurance. The risk related to the consequences of large single losses, in turn, is mitigated under non-proportional reinsurance treaties to protect its portfolios of property, technical, marine, air, third party liability and third party liability motor insurance.

PZU’s risk is also mitigated by proportional and non-proportional reinsurance of the financial insurance portfolio (e.g. guarantees, commercial credit) and proportionate reinsurance of cybernetic risks.

PZU’s reinsurance partners have high S&P ratings. That evidences the reinsurer’s robust financial position and affords the Company security.

PZU’s inward reinsurance business involves the PZU Group’s other insurance companies. As a result of the exposure to protect Baltic companies, LINK4 and TUW PZUW, PZU continues to generate a high gross written premium by virtue thereof.

In addition, PZU generates gross written premium on inward reinsurance on domestic business through facultative and obligatory reinsurance.

Reinsurance treaties in PZU Życie

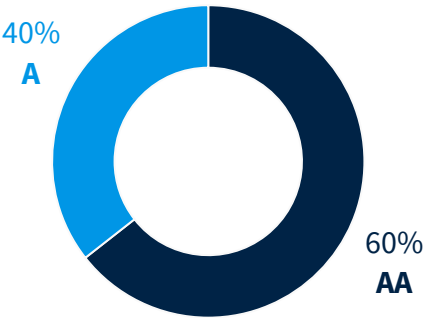
The outward reinsurance treaty entered into by PZU Życie protects the company’s entire portfolio against the accumulation of risk and individual policies with higher sums insured.

Reinsurance partners have high S&P ratings. That evidences the reinsurer’s robust financial position and affords the Company security.

Reinsurance treaties in the PZU Group’s international companies, LINK4 and TUW PZUW

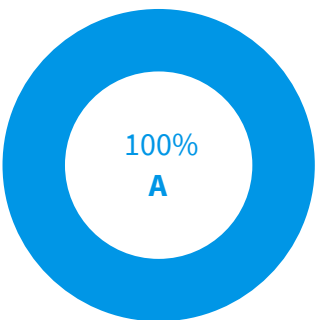
The PZU Group’s other insurance companies, i.e. Lietuvos Draudimas, Lietuvos Draudimas Branch in Estonia, AAS Balta, PZU Ukraine, LINK4 and TUW PZUW have reinsurance cover aligned to the profile of their operations and their financial standing. Every material insurance portfolio is secured with the appropriate obligatory treaty. Reinsurance cover is provided for the most part by PZU, which transfers a portion of the accepted risk outside the Group.

Reinsurance premium under PZU’s obligatory treaties according to the S&P/AM Best rating



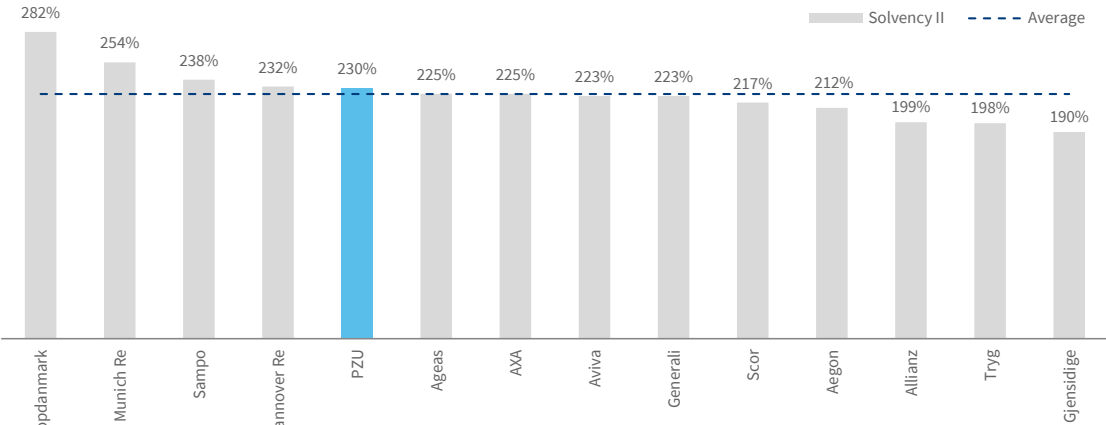
Main reinsurers in 2022: Munich Re, Hannover Re, Gen Re, Swiss Re, Scor.

Reinsurance premium under PZU Życie’s obligatory treaties according to the S&P rating



Main reinsurers in 2022: QBE, Mapfre, Toa Re, Nacional de Reaseguros

The Solvency II ratio for the PZU Group compared to European insurers



Source and data: data after Q3 2022; PZU data (unaudited)

6.8. Capital management

On 25 March 2021, the PZU Supervisory Board adopted a resolution to approve the PZU Group’s Capital and Dividend Policy for 2021-2024. The adopted policy is a continuation of the principles set forth in the PZU Group’s Capital and Dividend Policy for 2016-2020.

In accordance with the Policy, the PZU Group endeavors to do the following:

- manage capital effectively by optimizing the usage of capital from the Group’s perspective;
- maximize the rate of return on equity for the parent company’s shareholders, in particular by maintaining the level of security and retaining capital resources for strategic growth objectives through organic growth and acquisitions;
- ensure sufficient financial means to cover the Group’s liabilities to its clients.

The capital management policy rests on the following principles:

- manage the PZU Group’s capital (including excess capital) at the level of PZU;
- sustain target solvency ratios at the level of 200% for the PZU Group, PZU SA and PZU Życie SA (according to Solvency II);
- maintain the PZU Group’s financial leverage ratio at a level no higher than 25%;
- ensure funds for growth and acquisitions;
- maintain the financial conglomerate’s surplus own funds above the pertinent requirements for solvency;
- PZU will not issue any new shares for the duration of this Policy.

It is assumed that certain temporary deviations in the actual solvency ratio above or below the target level may occasionally occur.

As at the end of Q3 2022, the estimated solvency ratio (calculated according to the standard Solvency II equation) was 230%, a level above the average solvency ratio reported by insurance groups in Europe.



In Bank Pekao and Alior Bank, the capital adequacy ratio and the Tier 1 ratio were computed on the basis of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (CRR) and also the various types of risk identified in the Internal Capital Adequacy Assessment Process (ICAAP).

Solvency ratio	2021	Q3 2022*
<b>SCR</b>		
PZU Group	221%	230%
PZU	247%	267%
PZU Życie	333%	347%
<b>MCR</b>		
PZU Group	358%	437%
PZU	922%	977%
PZU Życie	740%	770%

CRR	2021	2022
PZU Group – total solvency ratio	17.7%	16.8%
Tier 1	15.8%	15.0%
Alior Bank Group – total solvency ratio	14.2%	13.7%
Tier 1	12.6%	12.4%


\* ) Q3 2022 was neither audited nor reviewed by the Auditor



# 7.

## The PZU Group on the capital and debt markets

- 7.1. Global and local equity and bond market
- 7.2. Main factors affecting PZU share price
- 7.3. Pekao and Alior Bank share prices
- 7.4. Shareholding structure and communication
- 7.5. Recommendations of analysts
- 7.6. Dividend
- 7.7. Debt financing of PZU, Bank Pekao and Alior Bank
- 7.8. PZU, Pekao and Alior Bank rating
- 7.9. Calendar of PZU's reports published in 2023



In 2022, PZU paid out a dividend nearly PLN 1.7 billion from net profit, i.e., PLN 1.94 per share. The cumulative amount of dividend paid against the IPO amounted to PLN 31.5.

# 7. The PZU Group on the capital and debt markets

## 7.1. Global and local equity and bond market

The year 2022 was marked by high volatility of financial markets resulting from events on an international scale.

The beginning of the 2022 year started rather calmly. Equity markets continued the growth which started in 2021 following the recovery of the global economy after the COVID-19 pandemic. All that changed on February 24, 2022 – the day that Russia attacked Ukraine. It brought about a series of negative political and economic consequences on a global scale, in particular contributing to a faster growth of inflation. Consequently, central banks commenced aggressive anti-inflation measures, thus kicking off a series of interest rate rises, which only worsened fears that economy was slowing down and recession was returning. Outflow of capital was noticeable both in equity and bond markets.

### FED

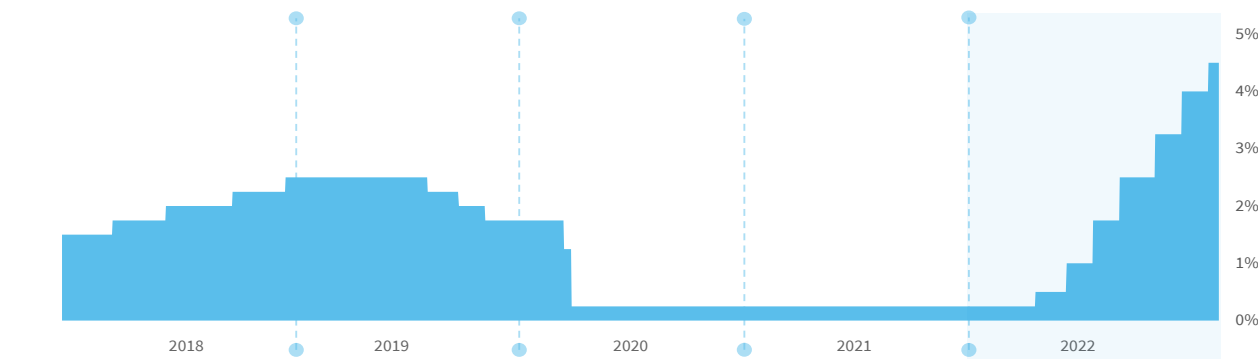
The American Central Bank (FED), which for over two years maintained interest rates at around zero, raised them to 4.5% in 2022, at a pace that was much faster than in the case of any previous cycle of tightening the monetary policy. Similar steps were taken by most global central banks.

### Developed and emerging markets

It was clearly visible that the global sentiment for equity markets worsened in all global equity indices. The MSCI ACWI – All Country World Index (in terms of price), which groups large and mid-cap companies from developed and emerging markets, dropped in 2022 by almost 20% y/y, thus cancelling the 17 p.p. increase generated in 2021. At the same time, it was the worst result generated by this index since the 2008 global financial crisis.

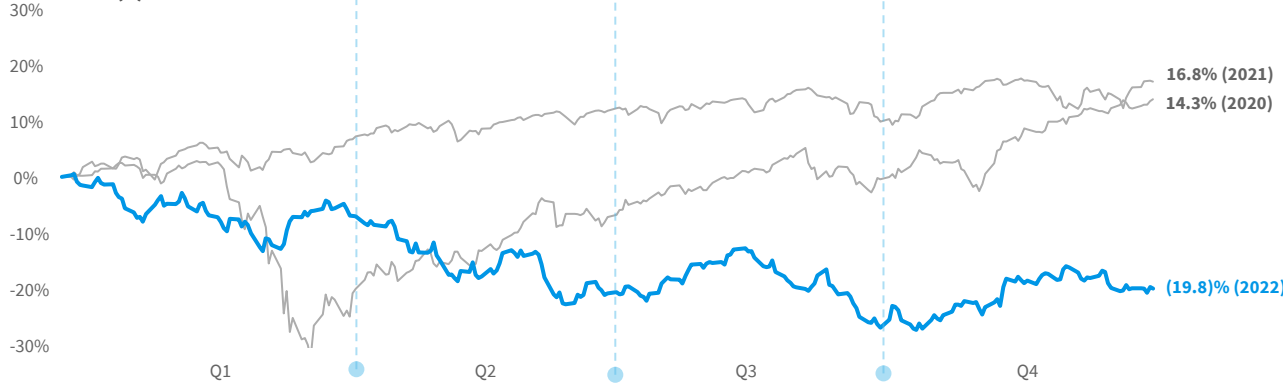
The worsened sentiment for equity markets was noticeable throughout most of 2022. It was not until Q4 that the sentiment improved, albeit not enough to affect the poor result of market indices at the end of 2022.

### Key FED interest rate (upper limit)



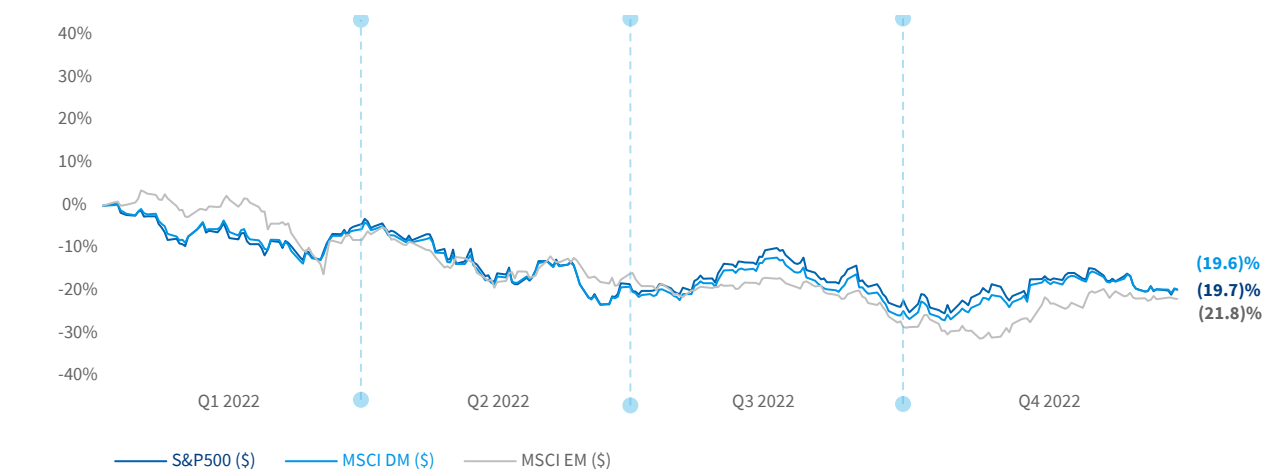
Source: <https://fred.stlouisfed.org/>

### MSCI ACWI (\$)



Source: [www.msci.com](http://www.msci.com)

### Indices S&P500, MSCI Developed Markets (DM), MSCI Emerging Markets (EM)



Źródło: [stoq.pl](http://stoq.pl), [www.msci.com](http://www.msci.com)

### Local indices

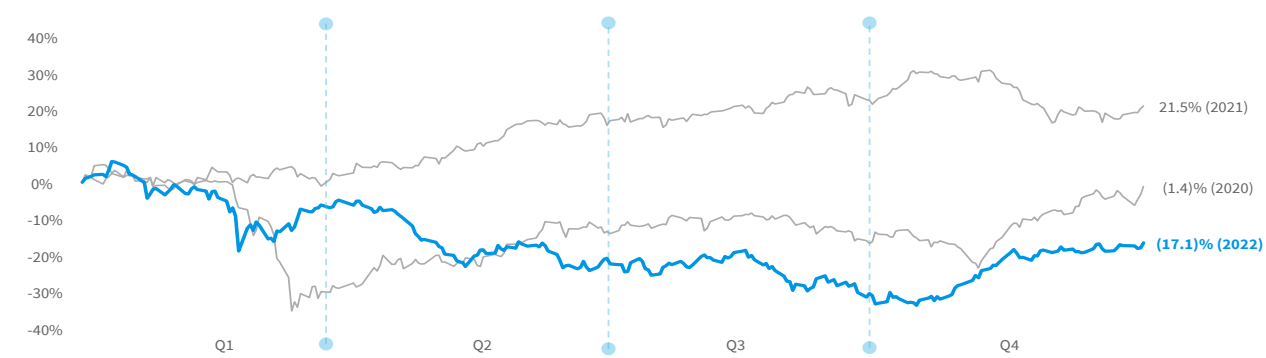
In 2022, Polish indices followed global decreases brought about by growing inflation, tightening of monetary policy and fears of the oncoming economic slowdown. The geographical proximity of the Russo-Ukrainian war also negatively impacted valuation of shares (through increased risk premiums) in local markets. In the several months after the war had broken out, WIG lost 17% y/y. Since the beginning of the year until Q3 2022, the cumulative loss generated by this index amounted to 35%.

Some of these drops were repaired in Q4 2022. At the end of 2022, WIG recorded a loss of 17.1% y/y, thus losing most of the growth generated in 2021.

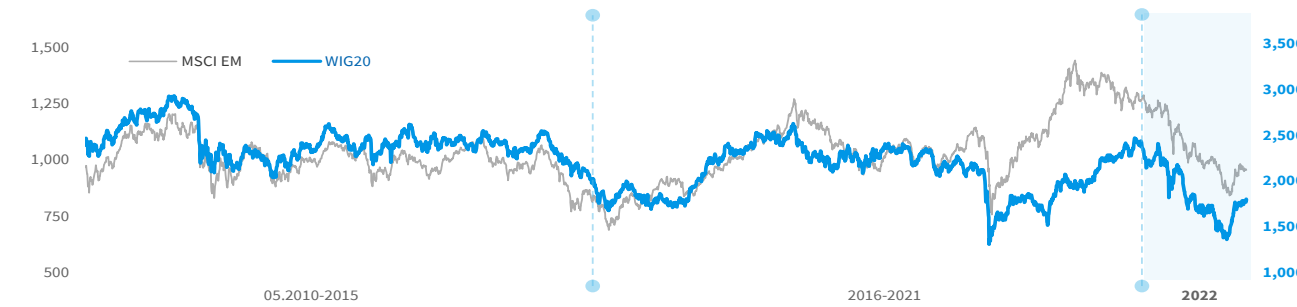
### WIG20 vis-a-vis MSCI EM

Throughout most of 2022, MSCI EM remained in a downward trend, marking another declining year. Some relief came in Q4 2022, probably thanks to signals of the nearby end of

### WIG index



### WIG20 vis-a-vis MSCI EM



Source: [www.infostrefa.com](http://www.infostrefa.com), [www.msci.com](http://www.msci.com)



# 7. The PZU Group on the capital and debt markets

interest rate rises and consequently weaker dollar, positively impacting emerging market assets.

Still in 2021, the main Polish index WIG20 did not go in the same direction as the emerging market index, even though historically, they were highly correlated. Contrary to MSCI EM recording losses, the Polish WIG20 index rose by 14.3% y/y in 2021. In 2022, WIG20 once again came close to MSCI EM, both in terms of direction and depth of falls. At the end of 2022, MSCI EM decreased by 21.8% y/y.

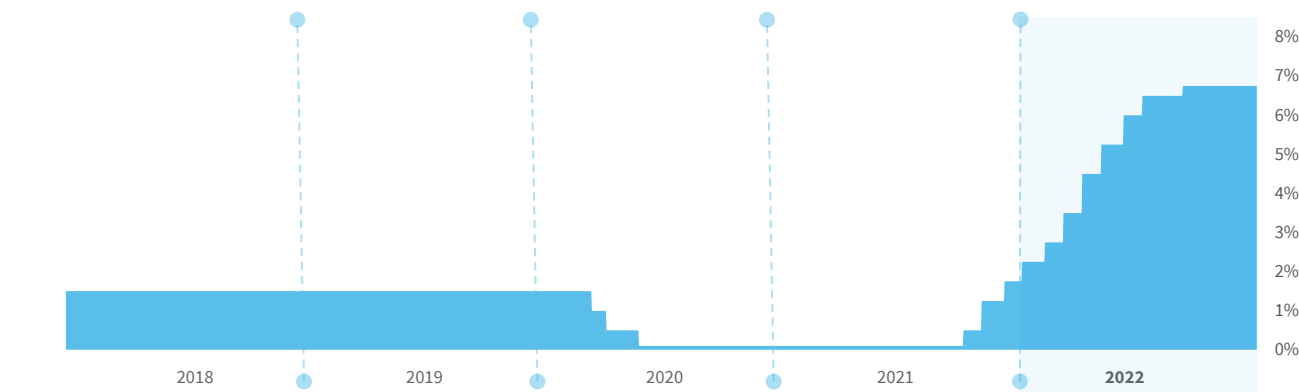
## Debt market situation

In 2022, the sovereign bond debt market did present an alternative stable source of income for investors. Similarly to shares, bonds were losing value throughout the year. Consequently, on an annual basis yields (price drops) were mostly connected with dynamically growing inflation which was increasing interest rates. In Poland, the reference rate determined by the NBP was increased from 2.25% to 6.75%.

Dynamic interest rate increases carried out in a high-inflation environment, caused a large decline in prices (increase in profitability) of Polish sovereign bonds on the yield curve. Throughout the year, the yields on 1-year bonds increased from 3.4% to 6.5%, 2-year from 3.4 to 6.7%, 5-year from 4.0% to 6.9%, and 10-year from 3.7% to 6.8%.

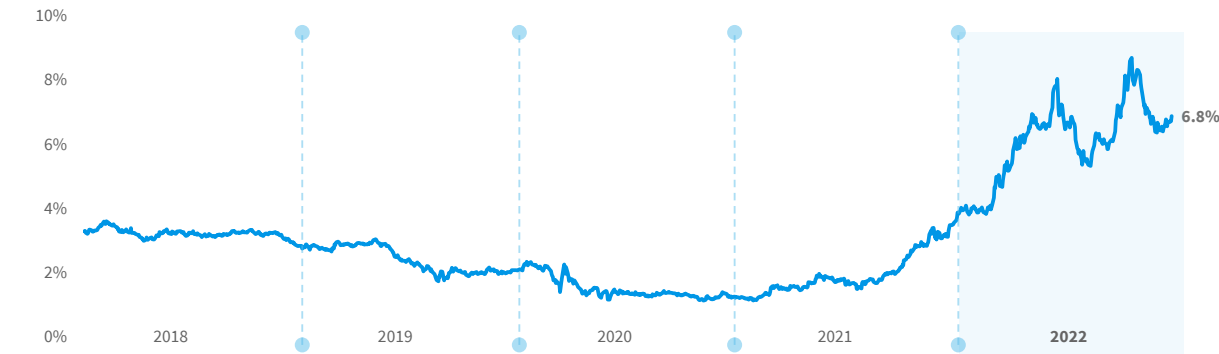
Yield curves in most markets, moved sharply upward, driven by strong increases in inflation, inflation expectations and significant increases in interest rates and announcements of their continuation by the major central banks. As a result, the annual yields of 10-year US sovereign bonds, influenced by rising inflation expectations, increased from 1.5% to 3.8% and of German bonds from -0.2% to +2.6%. CH. [2.3. SITUATION ON THE FINANCIAL MARKETS](#)

## Key NBP interest (reference) rate



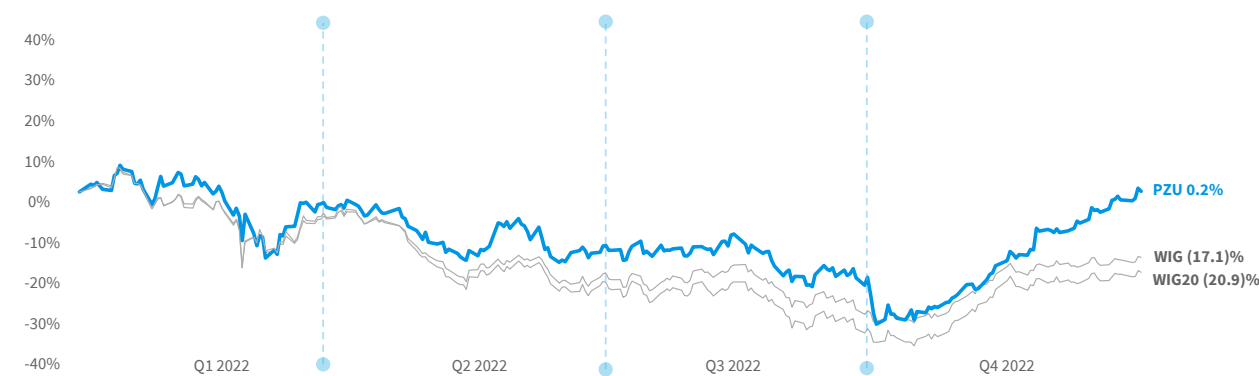
Source: <https://www.nbp.pl/>

## Profitability of Polish sovereign (10-year) bonds



Source: <https://www.stooq.pl>

## PZU share price versus WIG and WIG20



Source: <https://infostrefa.com/>

## 7.2. Main factors affecting PZU share price

PZU made its debut on the Warsaw Stock Exchange (WSE) on 12 May 2010. Since its floatation, it has been included in its most important index, namely WIG20<sup>1</sup>, calculated on the basis of the portfolio value of the 20 largest and most heavily traded companies on WSE's main market. PZU also belongs to the following Polish indices: WIG, WIG30, WIG-Poland, WIGdiv, WIG20 TR, WIG.MS-FIN, CEEplus and WIG ESG (sustainable development index) and the following international indices: MSCI Poland (emerging markets), Stoxx Europe 600 (developed markets) and FTSE Russel midcap index (developed markets).

## Warsaw Stock Exchange indices

In 2022, the Polish blue chip index (WIG20) oscillated within a broad band between 1,359 and 2,411 points. The variance

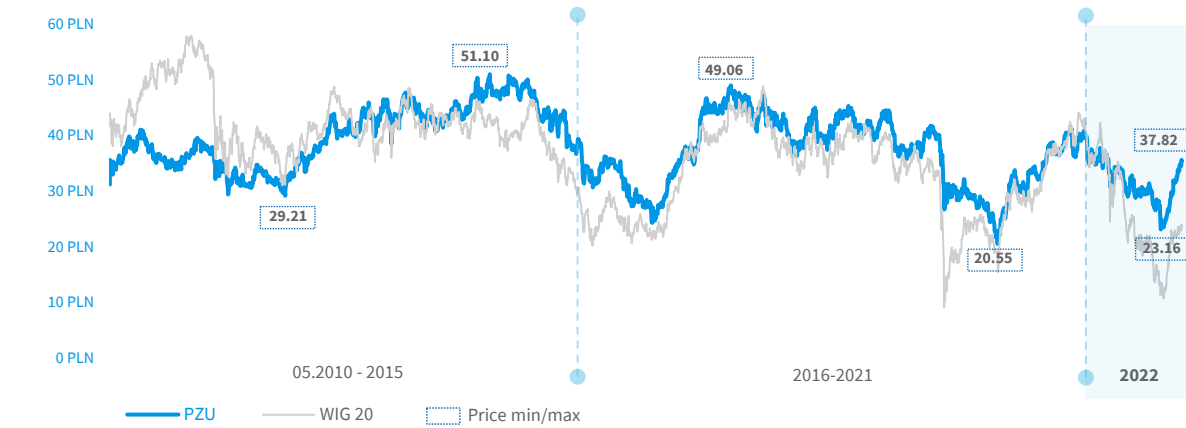
between these points was 1,052 points and was 457 points higher than that observed in the corresponding period of 2021 (595 points). In 2022, WIG20 went down by 20.9% y/y, or by 18.3% y/y if dividends are taken into account (WIG20 TR). The WIG broad market index lost 17.1% y/y. Small and medium cap indices also recorded drops; sWIG80 and mWIG40 lost 12.8% and 21.5% y/y, respectively.

## PZU shares price versus WIG20

Throughout most of 2022, PZU shares followed main indices of the Polish stock exchange, maintaining a downward trend. A change came in Q4. PZU shares were priced at PLN 35.4 at the last session of 2022, an increase of 52.9% compared to PZU share price at the end of Q3. In the whole of 2022, PZU shares rose by 0.2% y/y, i.e., 21.1 p.p. above the WIG20 price index. After the share price was adjusted for dividend, the total rate of return on PZU shares was 5.7%, i.e., 24.0 p.p. above the total return index, WIG20 TR.

1) WIG20 is a price-based index, which means that its calculations only include prices of the transactions carried out based on the index, and dividend income is not included.

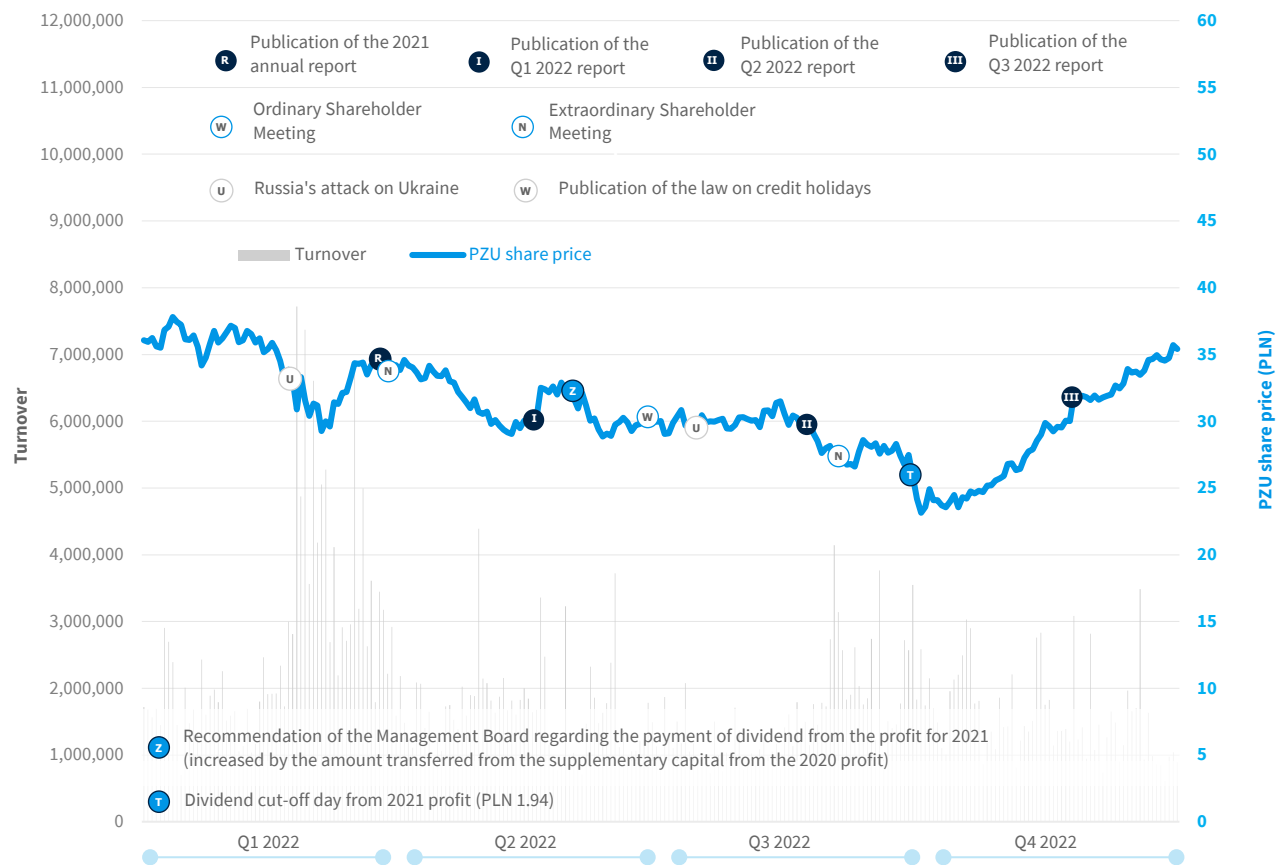
## PZU's min/max share prices



Source: [www.infostrefa.com](https://www.infostrefa.com), [www.msci.com](https://www.msci.com)

# 7. The PZU Group on the capital and debt markets

## Main factors affecting PZU's share price in 2022



## Quick Response (QR) codes - links to video coverage of outcome conferences

**R**

Presentation of the 2021 performance

**I**

Presentation of results for Q1 2022

**II**

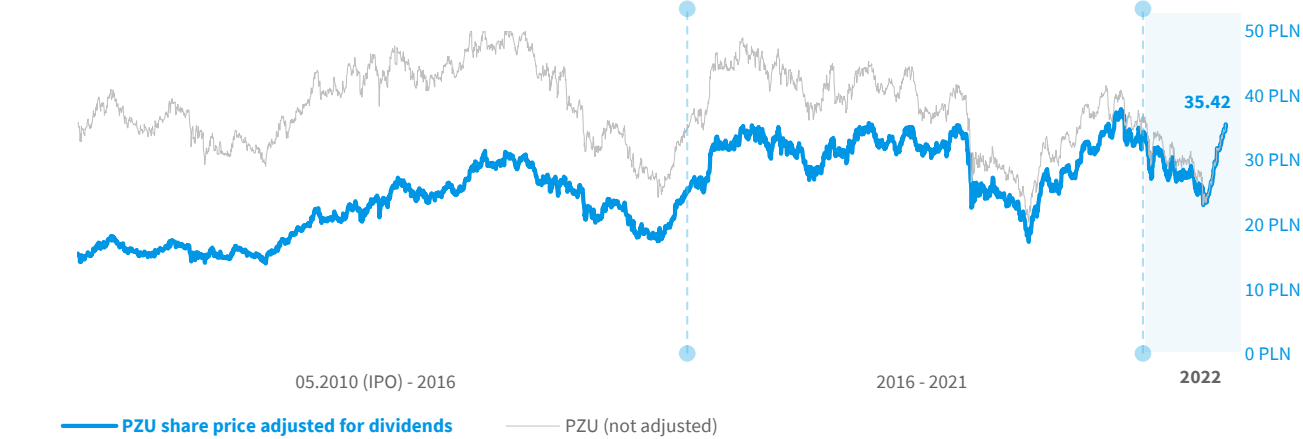
Presentation of results for Q2 2022

**III**

Presentation of results for Q3 2022

After the PZU share price was adjusted for dividend<sup>2</sup>, PZU share price as at the end of 2022 once again was at around the maximum values set at the end of 2021.

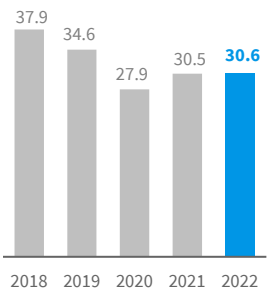
## PZU share price adjusted for dividends paid



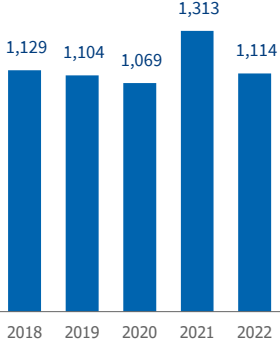
## Capitalization

The market value (capitalization) of PZU at the end of 2022 was PLN 30.6 billion, placing it 4th (up 5 positions y/y) in terms of market valuation among Polish companies listed on the WSE. PZU's share in WSE's total trading volume was 5.1% (8th place – down 2 positions compared to 2021).

### Capitalization of PZU in PLN billion



### Capitalization of WSE in PLN billion (domestic and international companies)



After adjustment of the PZU share price for the dividends paid out from IPO, the theoretical stock market valuation at the end of 2022 would amount to PLN 57.8 billion.

## Statistics concerning the PZU share price adjusted for dividends paid

	2018	2019	2020	2021	2022
Theoretical price at the last session of the year (PLN)	67.18	66.11	58.44	64.93	66.94
Theoretical capitalization at the end of the period (PLN million)	58,015	57,091	50,468	56,072	57,808

Source: [www.infostrefa.com](http://www.infostrefa.com)

2) In line with the stooq methodology (<http://stooq.pl/pomoc/?q=9&s=pzu>).

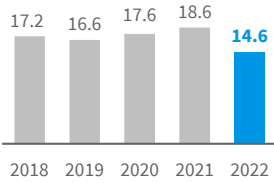


# 7. The PZU Group on the capital and debt markets

## Liquidity

In 2022, PZU's shares were highly liquid. The average daily spread of PZU's shares was 9 bps compared to the average spread of 15 bps for the 20 most liquid companies. The average turnover of PZU's shares per session was PLN 58.3 million, i.e., down 21.1% y/y. The annual share turnover for the whole 2022 was PLN 14.6 billion, which was 48% of PZU's total capitalization at the end of 2022 (down 13 p.p. y/y).

PZU share turnover in PLN billions



Source: [www.infostrefa.com](http://www.infostrefa.com)

PZU's shares-related statistics	2018	2019	2020	2021	2022	2010-2022
Maximum price (PLN)	47.34	45.39	41.80	41.65	37.82	
Minimum price (PLN)	36.31	35.79	20.55	29.27	23.16	
Theoretical price at the last session of the year (PLN)	43.90	40.03	32.36	35.35	35.42	
Average price per session (PLN)	41.48	40.61	30.06	35.86	30.97	
Turnover value (PLN m)	17,183	16,620	17,588	18,565	14,645	
Average turnover value per session (PLN m)	69.6	67.0	69.8	73.9	58.3	
Number of transactions (items)	926,486	928,493	1,523,449	1,353,198	1,285,691	
Average number of transactions per session	3,751	3,744	6,045	5,391	5,122	
Turnover (items)	415,380,500	408,999,167	595,296,291	517,939,229	472,866,103	
Average turnover per session (items)	1,681,702	1,649,190	2,362,287	2,063,503	1,883,929	

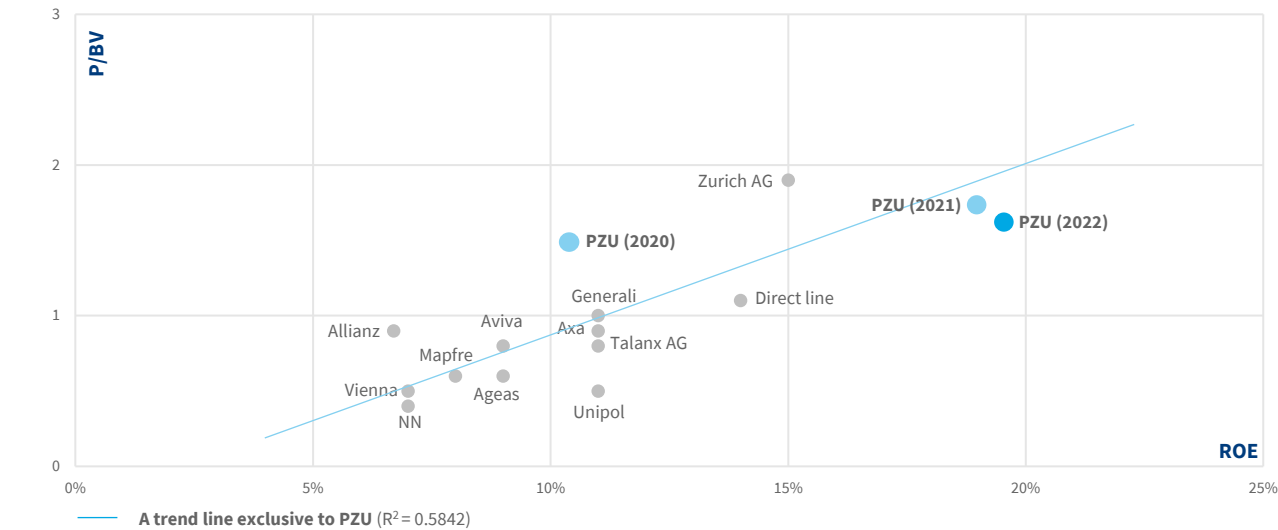
Source: [www.infostrefa.com](http://www.infostrefa.com)

## Indices

PZU's shares*	2018	2019	2020	2021	2022
C/WK (P/BV) Market share price / book value per share	2.5x	2.1x	1.5x	1.8x	1.7x
WKNA (PLN) BVPS (PLN) Book value per share	17.3	18.7	21.7	19.8	20.3
C/Z (P/E) Market share price / net return per share	11.8x	10.5x	14.6x	9.2x	9.1x
ZNA (PLN) EPS (PLN) Net profit (loss) / number of shares	3.7	3.8	2.2	3.9	3.9

\*) calculations based on the PZU Group figures (in line with IFRS); share price and book value as at end year; net profit for 12 months; number of PZU's shares; 863,523,000

## PZU's valuation compared to the peer group



Source: PZU share price as at end year (2020, 2021, 2022) – reported figures; other companies – 2022 annual forecasts (research reports)

## 7.3. Bank Pekao and Alior Bank share prices

### Context in the banking sector

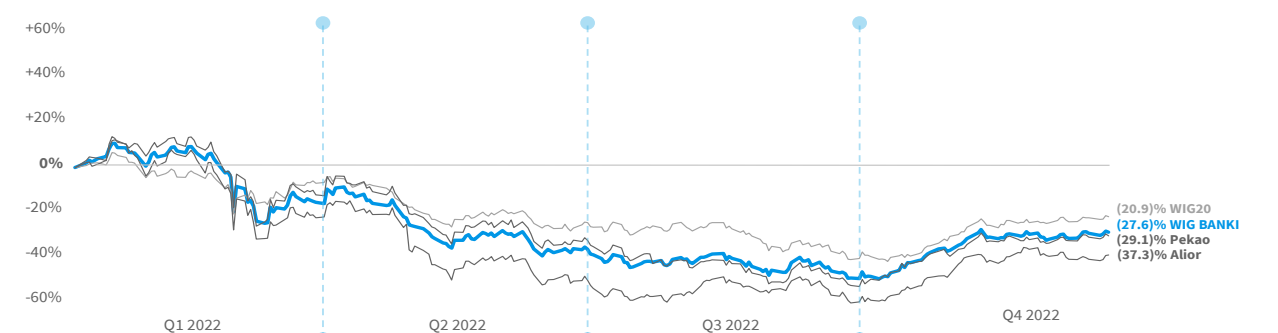


In 2022, the WIG Banks index <sup>3</sup> decreased by 27.6% y/y. The correlation between the WIG Banks index and the WIG20 index was 84% (+ 7 p.p. y/y). The beta coefficient (in relation to WIG20) decreased to 1.09, or by 0.08 y/y.

Decreases of the WIG BANKS index are mostly caused by a deterioration in global sentiment to equity markets. Furthermore, from the perspective of the banking sector, additional risks emerged in relation to regulatory costs, i.e.,

3) Total return index (which takes into account both the price of the shares included therein and return on dividends and the preemptive right).

### Pekao Bank and Alior Bank versus WIG Banks



Source: [www.infostrefa.com](http://www.infostrefa.com)

loan repayment holidays, the Borrower Support Fund, costs of restructuring Getin Bank or write-offs for CHF loans. The prospect of an economic slowdown and increasing costs impacted the perceived appeal of this sector and the expected return rate, which still in 2021 was one of the strongest growing industry sectors, increasing by 81.3% y/y.

### Pekao Bank and Alior Bank

At the end of 2022, the Alior Bank share price was PLN 34.3, i.e., it dropped by 37.3% since the beginning of the year. In that same period, the Pekao Bank share price dropped by 29.1% (in terms of price) to PLN 86.5 per share.

On 15 June 2022, the General Meeting of Shareholders of Bank Pekao resolved to pay out the 2021 dividend of PLN 4.3 per share (PLN 1,128 million, which constituted 50% of the 2021 net result). In 2021, it amounted to PLN 3.21 per share (PLN 843 million, which constituted 75% of the 2020 net result).





# 7. The PZU Group on the capital and debt markets

## 7.4. Shareholder structure and communication

Striving to achieve the greatest possible transparency of the PZU Group's business, the Management Board of PZU has regularly undertaken various investor relations activities aimed at ensuring equal access to information in accordance with the internally-adopted "Principles for PZU to Conduct its Information Policy for Capital Market Participants".

### PZU's shareholder structure

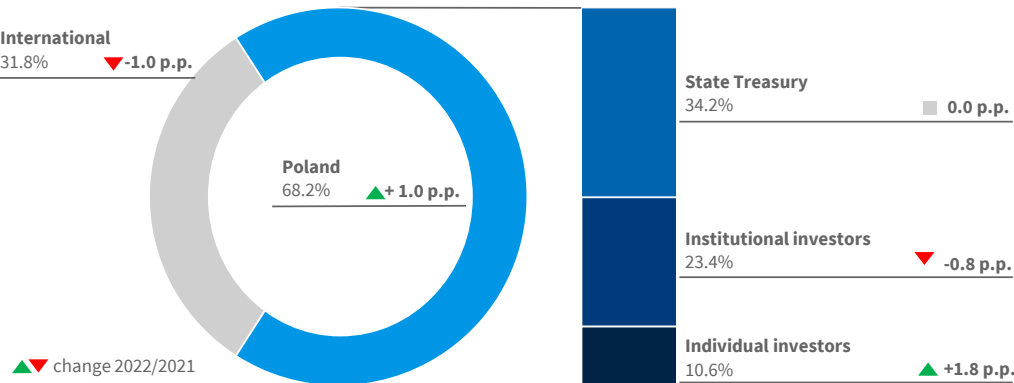
As at 31 December 2022, the State Treasury of the Republic of Poland held a 34% stake in the share capital and votes, and funds managed by Nationale-Nederlanden PTE held a 6%

stake (according to PZU's current report No. 25/2022). The remaining 60% stake was held by shareholders below the 5% threshold each.

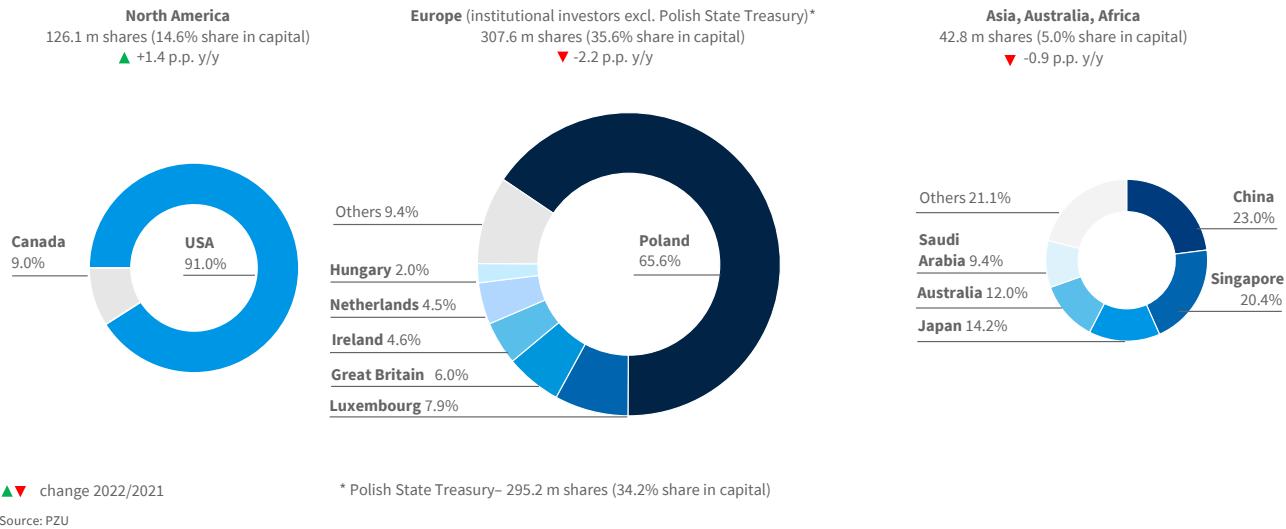
According to a survey carried out at the end of 2022, PZU's shareholder structure was stable in terms of the breakdown of stakes and geographies. The largest stakes, as in previous years, were held by investors from Europe, with Polish investors dominating.

As at the end of 2022, the stake of open-end pension funds (OFE) and mutual fund management companies (TFI) in PZU's shareholder structure was 16.7% (down 0.8 p.p. y/y) and 3.6% (down 0.5 p.p. y/y), respectively.

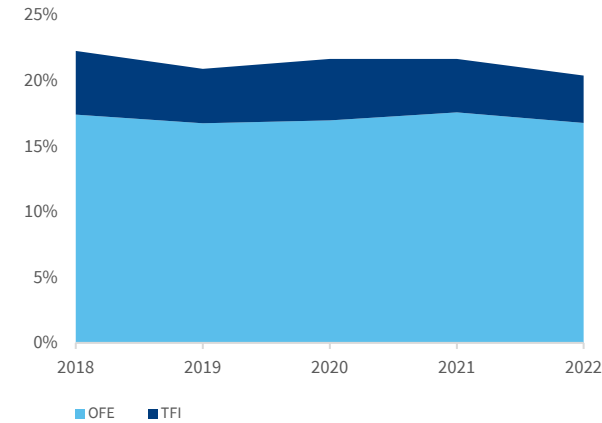
### PZU shareholder structure – main investor



### Composition of PZU's shareholders by geography



### OFE and TFI in PZU's shareholder structure

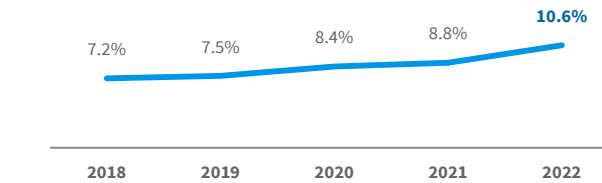


Source: PZU

### Retail investors

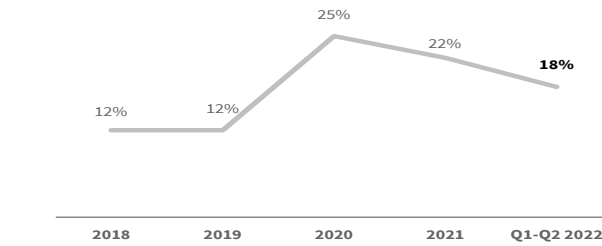
The percentage of retail investors in PZU's shareholder structure as at the end of 2022 increased by 1.8 p.p. y/y to 10.6%. This means that at the end of 2022, this group of investors was holding almost 92 millions of shares with the total value of over PLN 3.2 billion (per price of the last 2022 session – PLN 35.4). This high growth rate was recorded in a difficult, declining market. From the perspective of the main market of WSE, the stake of investors in 2022 continued its downward trend.

### Stake of retail investors in the PZU shareholder structure



Source: PZU

### Percentage of retail investors in trades on the main market of WSE



Source: gpw.pl

**25 March 2022**  
Extraordinary General Meeting (EGM)

[http://infostrefa.tv/wza/19095/nadzwyczajne\\_walne\\_zgromadzenie\\_pzu\\_sa/](http://infostrefa.tv/wza/19095/nadzwyczajne_walne_zgromadzenie_pzu_sa/)



**29 June 2022**  
Ordinary Shareholder Meeting

[http://infostrefa.tv/wza/19117/zwyczajne\\_walne\\_zgromadzenie\\_pzu\\_sa/](http://infostrefa.tv/wza/19117/zwyczajne_walne_zgromadzenie_pzu_sa/)



**1 September 2022**  
Extraordinary General Meeting (EGM)

[http://infostrefa.tv/wza/19133/nadzwyczajne\\_walne\\_zgromadzenie\\_pzu\\_sa/](http://infostrefa.tv/wza/19133/nadzwyczajne_walne_zgromadzenie_pzu_sa/)



### Communication with capital market players

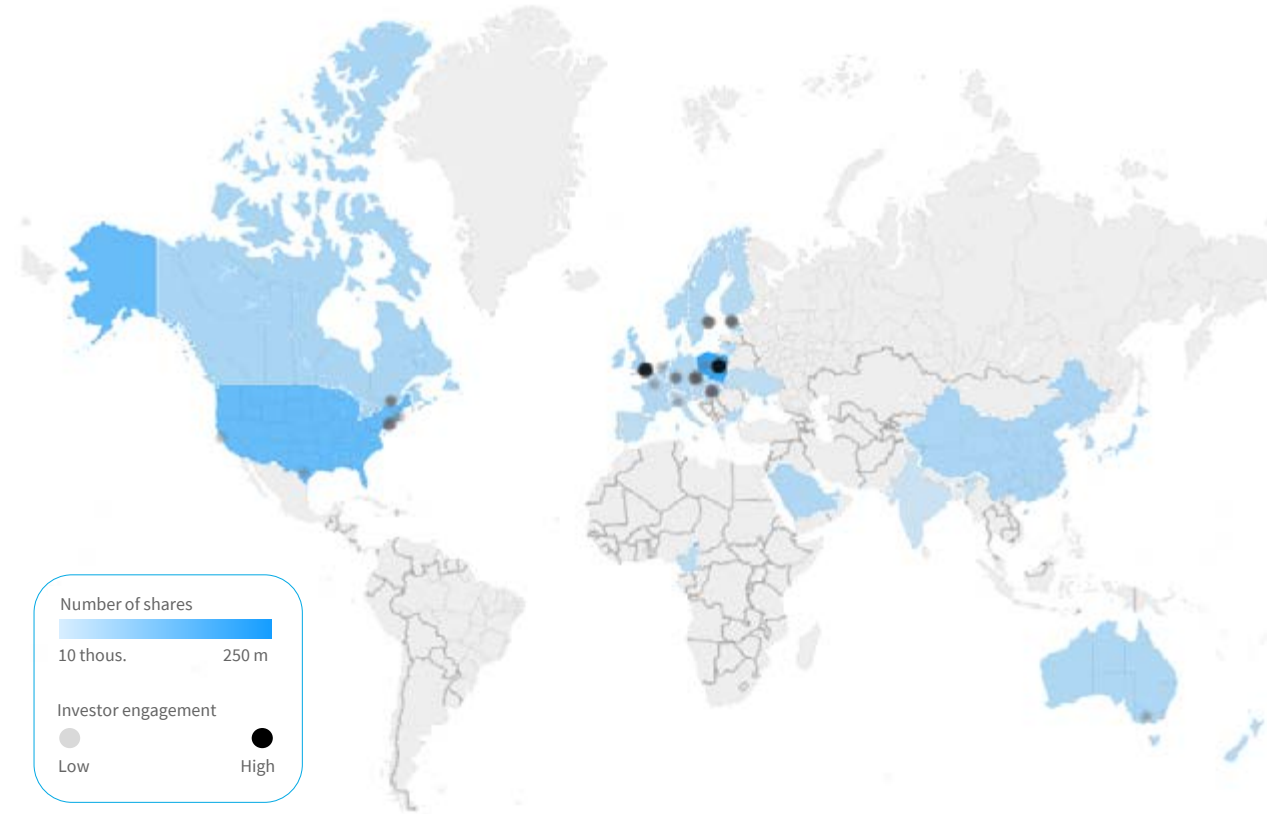
In 2022, all corporate events held with capital market participants in mind were transmitted live in the form of a webcast (with simultaneous translation into English). Quarterly financial performance was presented and discussed by the PZU Group's Management Board at online conferences, during which their participants had the opportunity to ask questions. Recordings of these meetings are available on PZU's website in the "Investor relations" section: <https://www.pzu.pl/relacje-inwestorskie/do-pobrania>

The most important events, achievements and plans were presented once again in the form of an online Annual Report at <raportroczny2021.pzu.pl>. Users have been provided with a comprehensive tool enabling a multi-directional analysis of corporate and macroeconomic events as well as financial results. The report included interactive infographics, animations and video clips, which offered a succinct presentation of the PZU Group's activity in 2021.



# 7. The PZU Group on the capital and debt markets

**Locations of the head offices of institutional investors participating in meetings with PZU's representatives**  
(marked on the map as "interested investors")



Source: PZU

## Activities targeting institutional investors

In 2022, PZU's representatives participated in 18 conferences (10 in 2021) held by global investment banks and brokerage houses in Poland. In total, more than 64 individual and group meetings were held (70 in 2021), which gathered a total of 169 managers and analysts (145 in 2021) representing mutual funds, pension funds and other asset management firms. The largest interest in PZU's activity was shown by investors from financial centers in Warsaw, London, New York and Prague.

## Activities addressed to retail investors

In 2022, communication with retail investors was carried out both indirectly, i.e., through online reports, newsletters, factsheets and other materials distributed by e-mail, as well as directly, which enabled them to ask questions to PZU's representatives. The latter included in particular:

- 26th WallStreet conference (the 12th in which PZU participated) organized by the Polish Association of Individual Investors as an online event. The participants of the event had the opportunity to participate in an investor presentation, which was led by the PZU Management Board Member in charge of the Finance Division. During

the conference there was also a PZU booth where it was possible to meet with Investor Relations representatives;

- chats dedicated to retail investors, organized after each publication of quarterly financial results and after the announcement of the strategy, attended by the Member of the PZU Management Board in charge of the Finance Division.

## Loyalty program

Since 2021, PZU has had a loyalty program for retail investors – [mojeakcje.pzu.pl](https://mojeakcje.pzu.pl), thanks to which they may obtain:

- 10%, and after one year of participation – 20% discount for the insurance of: a vehicle (TPL, MOD, ADD Max), home, travel, crop, accident;
- 100% discount for annual basic membership or 50% discount for annual extended membership in the Polish Association of Individual Investors;
- access to specially prepared materials about PZU's fundamental analysis.

## Loyalty program – development

In Q4 2022, a competition was organized for program participants in which they could test their knowledge on

health, ecology, investments and information about PZU. Competition winners received discount codes, worth PLN 200 gross each, to use for PZU Zdrowie health prevention bundles.

In 2022, the program was extended by another brokerage house – Alior Bank. There were also efforts to join other brokerage houses.

## Prizes and distinctions for IR activities

PZU's investor relations activities are highly regarded by investors, analysts and the media.

This was confirmed by the awards and distinctions awarded in 2022, including the Best Annual Report 2021 contest organized by the Institute of Accounting and Taxes (Instytut Rachunkowości i Podatków):

- special award **"The Best of the Best"** (for the fourth time);
- special prize for **the best integrated annual report** in the Banks and Financial Institutions category.

## IR strategy for 2023

Continued actions:

- strengthen good relations between the PZU Management Board and the community of investors, both in the local market and in the global market;
- secure a deep and broad market for PZU's shares by continuing to build a diversified base (in terms of geography, numbers and profile) of an appropriate number of well-informed investors familiar with the company;

- ensure equal access to information;
- ensure sell-side research coverage;
- develop digital tools to address investor needs better, including by implementing new solutions in the online annual report and enhancing the functionality of the investor relations portal;
- extend the scope of non-financial reporting with additional elements related to climate change;
- increase the degree of integration in the online report;
- develop the loyalty program for retail investors.

New initiatives:

- preparing investors and analysts for reporting under IFRS17 (financial statements and workshops for capital market players);
- extending disclosures related to the GRI Standard 2021 (non-financial report);
- extending disclosures related to Taxonomy (non-financial report).

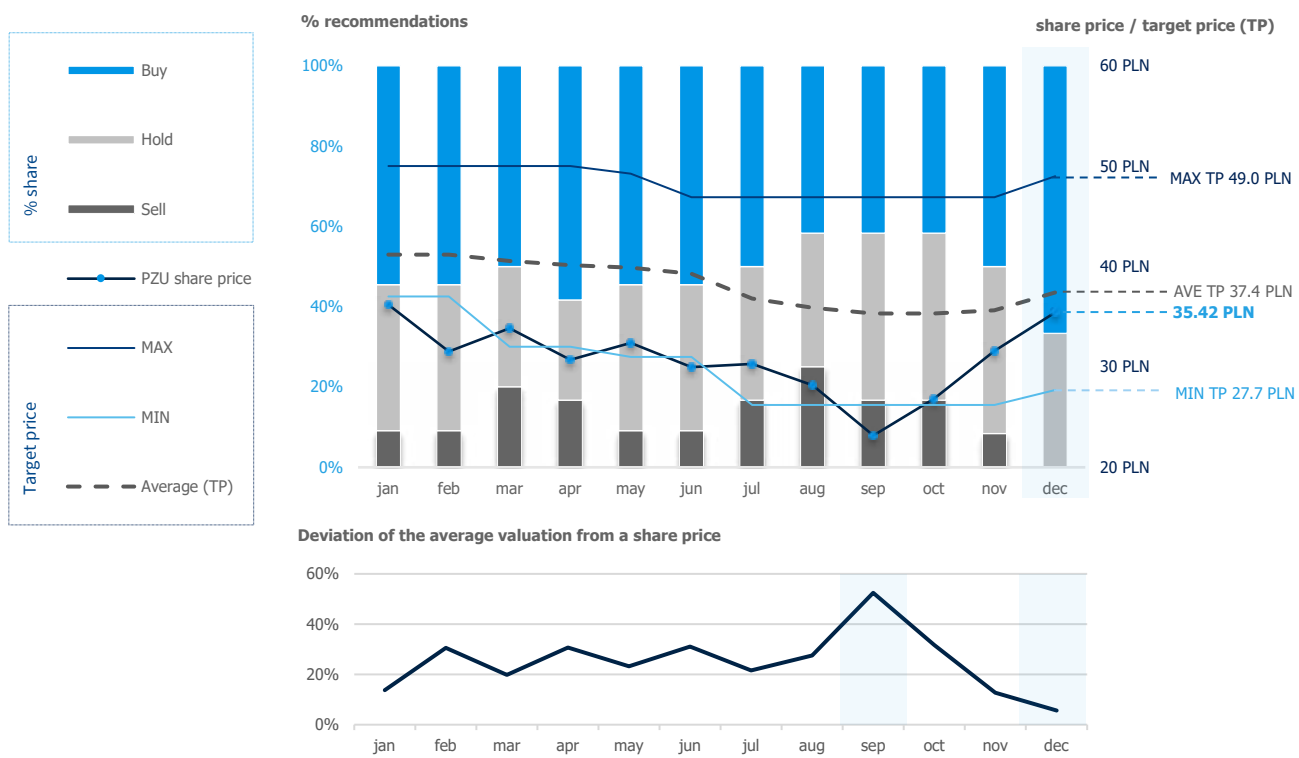
## 7.5. Recommendations of analysts

In 2022, 12 domestic and international financial institutions issued PZU share recommendations. Sell side analysts published 29 recommendations, i.e., six more than in 2022. 86% of all recommendations issued in this period were either positive or neutral (96% in 2021).

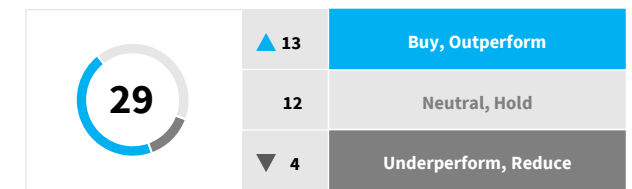


# 7. The PZU Group on the capital and debt markets

## Analysts' expectations concerning PZU's share price in 2023 based on recommendations in effect at the end of December 2022



## Statistics related to the recommendations published in 2022



Source: analysts' recommendations; company;

Throughout most of 2022, the PZU share price was well below expectations of analysts. The difference between the target prices in recommendations and the PZU share price in 2022 was 25.1% on average. Such a large difference is mostly the result of risk aversion due to the deterioration in global sentiment towards equity markets. At the same time, this did not directly translate onto the deterioration of fundamental values for running business operations by the PZU Group; thus, quickly dropping share prices did not cause any analogous target price changes in analysts' recommendations. In September 2022, that difference crossed 50%. However, already in December, the difference between the average target price and the market price of PZU shares was only 5.6%.

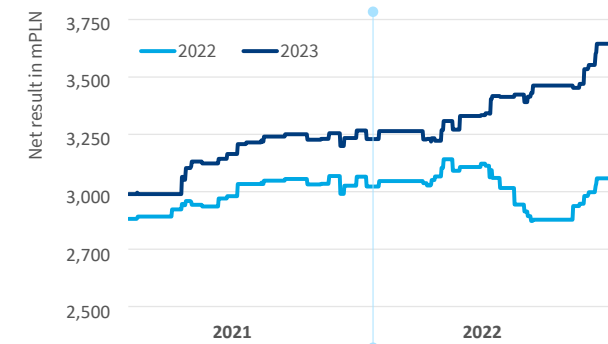
## Statistical figures on target prices in recommendations

	31 December 2021	31 December 2022	Change	Difference between prices in recommendations and share prices as at end of 2022 (PLN 35.4)
Highest target price	50.0	49.0	-2.0%	38.3%
Average target price	40.8	37.4	-8.3%	5.6%
Median of target prices	40.1	37.0	-7.9%	4.3%
Lowest target price	37.0	27.7	-25.1%	-21.8%

Source: analysts' recommendations; company;

At the same time, already since Q2 2022, expectations were growing that situation in 2023 would improve, which was evident in the level of change in the consensus for net result in 2023.

## Changes in market consensus on the net result of the PZU parent company



## Institutions issuing recommendations for PZU's shares (as at 31 December 2022)

INSTITUTION	ANALYST	E-MAIL	PHONE NO.
AUTONOMOUS RESEARCH	Youdish Chicooree	ychicooree@autonomous.com	+44 207 776 34 42
CITI	Andrzej Powierża	n/a	+48 22 690 35 66
ERSTE SECURITIES	Łukasz Jańczak	Lukasz.Janczak@erstegroup.com	+48 22 257 57 54
HSBC	Thomas Fossard	thomas.fossard@hsbc.com	+33 15 652 43 40
IPOPEMA	Marta Czajkowska-Bałdyga	marta.czajkowska-baldyga@ipopema.pl	+48 22 236 92 31
JP MORGAN	Samuel Goodacre	samuel.goodacre@jpmorgan.com	+44 207 134 67 20
MBANK	Michał Konarski	michal.konarski@mdm.pl	+48 22 697 47 37
PKO BP	Jaromir Szortyka	jaromir.szortyka@pkobp.pl	+48 22 580 39 47
RAIFFEISEN CB	Oliver Simkovic	oliver.simkovic@rbinternational.com	+43 15 152 07 06
TRIGON	Maciej Marcinowski	maciej.marcinowski@trigon.pl	+48 22 433 83 75
SANTANDER	Kamil Stolarski	kamil.stolarski@santander.pl	+48 22 586 81 00
UBS	Michał Potyra	michal.potyra@ubs.com	+44 20 75681935
WOOD & COMPANY	Marta Jeżewska-Wasilewska	marta.jezewska-wasilewska@wood.com	+48 22 222 15 48

## 7.6. Dividend

### Capital and Dividend Policy

On 25 March 2021, the PZU Supervisory Board adopted a resolution to approve the PZU Group's Capital and Dividend Policy for 2021-2024. The adopted policy is a continuation of the principles set forth in the PZU Group's Capital and Dividend Policy for 2016-2020.

In accordance with the Policy, the PZU Group endeavors to do the following:

- manage capital effectively by optimizing the usage of capital from the Group's perspective;
- maximize the rate of return on equity for the parent company's shareholders, in particular by maintaining the level of security and retaining capital resources for strategic development through organic growth and acquisitions;
- ensure sufficient financial means to cover the Group's liabilities to its clients.



## 7. The PZU Group on the capital and debt markets

The **capital management policy** rests on the following principles:

- manage the PZU Group's capital (including excess capital) at the level of PZU;
- sustain target solvency ratios at the level of 200% for the PZU Group, PZU SA and PZU Życie SA (according to Solvency II);
- maintain the PZU Group's financial leverage ratio at a level no higher than 25%;
- ensure funds for growth and acquisitions;
- maintain the financial conglomerate's surplus own funds above the pertinent requirements for solvency;
- PZU will not issue any new shares for the duration of this Policy.

Under the policy, certain temporary deviations in the actual solvency ratio above or below the target level may occasionally occur.

The PZU and PZU Group's **dividend policy** rests on the following principles:

- The PZU Group endeavors to manage capital effectively and maximize the rate of return on equity for the parent company's shareholders, in particular by maintaining the level of security and retaining capital resources for strategic growth objectives through acquisitions;
- the dividend amount proposed by the parent company's Management Board which PZU pays for the respective financial year is determined on the basis of the PZU Group's consolidated financial result attributable to equity holders of the parent company, where:
  - a) not more than 20% will increase retained earnings (supplementary capital) for purposes of organic development and innovations, and implementation of development initiatives,

### PZU Group's Capital and Dividend Policy

Distribution of consolidated net profit in 2021-2024		Allocation of retained earnings
Disbursement of the annual dividend or retained earnings	≤ 20%	Capital possibly retained to cover the additional needs stemming from growth in the magnitude of business
	≤ 30%	Achievement of the targets in the PZU Group's Strategy through mergers and acquisitions
Level of dividend payment from consolidated profit <sup>4)</sup>	≥ 50%	

4) PZU's net profit attributable to the parent company  
Source: PZU

- b) no less than 50% is subject to payment as an annual dividend;
- c) the remaining part will be paid in the form of annual dividend or will increase retained earnings (supplementary capital) if significant expenditures are incurred in connection with execution of the PZU Group Strategy, including in particular, mergers and acquisitions;

with the reservation that:

- according to the Management Board's plans and risk and solvency self-assessment of the parent company, the own funds of the parent company and the PZU Group following the declaration of payment or payment of a dividend will remain at a level that will ensure fulfilment of the conditions specified in the Capital Policy of the PZU Group and PZU (items 2 to 5);
- when determining the dividend the regulatory authority's recommendations concerning dividends will be taken into consideration.

### Dividend payment in 2022

**On 20 October 2022, PZU paid out a dividend of nearly PLN 1.7 billion, i.e., PLN 1.94 per share.**

A detailed sequence of key related events is presented below.







**9 December 2021** – the recommendation of the Polish Financial Supervision Authority (KNF) on paying dividends from the profits generated in 2021

The KNF's recommendation on the dividend policy of insurance and reinsurance companies allowed insurance companies to:

- pay out a dividend of up to 100% of the profit generated in 2020 (including dividends paid to date from 2020 profits),
- pay out a dividend of up to 50% of the profit generated in 2021,

provided that the criteria set by KNF have been fulfilled.

### Key assumptionsPrincipal

	We will continued to be a <b>dividend company</b> while generating an above average return on capital.
	<b>Every year we will pay a dividend of 50 to 100%</b> of the PZU Group's <sup>3</sup> consolidated annual earnings.
	We will maintain our <b>solvency ratios a level no lower than 200%</b> for the PZU Group, PZU and PZU Życie (according to Solvency II).
	We will <b>maintain the our financial leverage ratio</b> <sup>2</sup> at a level no higher than 25%.
	We will procure <b>funds for growth and acquisitions</b> in the coming years.
	We will <b>maintain the financial conglomerate's surplus own funds about the requirements</b> for solvency.

These criteria include a Supervisory Review and Evaluation Process (SREP) (i.e., risk assessment) and the coverage of a specific capital requirement on a standalone (unconsolidated) basis. Moreover, a company intending to disburse a dividend must not have experienced a situation involving a shortage of own funds to cover the capital requirement in any quarter and must not be covered by a short-term financial plan or remedial plan.

KNF also pointed out that, when deciding on the level of dividends, insurance companies should take into account their additional capital needs within the period of 12 months from the approval date of the 2021 financial statements, which may result, among others, from changes in the market and legal environment, in particular from the high degree of uncertainty about the future evolution of the coronavirus pandemic.

**1 June 2022** – Motion of the PZU Management Board regarding the distribution of the profit generated in 2021 and the amount transferred from the supplementary capital created from the profit generated in 2020.

In connection with the aforementioned recommendation of the KNF, the PZU SA Management Board recommended distribution of the profit generated in 2021 (and the amount transferred from the supplementary capital created from the profit generated in 2020). The proposed dividend amount was PLN 1.7 billion, i.e., PLN 1.94 per share. On that same day, the Supervisory Board issued a positive opinion on the Management Board's motion.

**29 June 2022** – Ordinary Shareholder Meeting's resolution on the distribution of PZU's net profit

The Ordinary Shareholder Meeting of PZU adopted a resolution on distribution of PZU's net profit, in which it

decided to distribute the profit generated in 2021 increased by the amount transferred from the supplementary capital created from the profit generated in 2020. The amount of PLN 1.7 million was designated for the dividend payment. The dividend record date was set for 29 September 2022 and the dividend payout date was set for 20 October 2022.

### KNF's stance on the dividend policy in 2023<sup>4)</sup>

On 6 December 2022, KNF adopted a position on the dividend policy of insurance companies, reinsurance companies, and insurance-and-reinsurance companies in 2022 ([download](#)).

The Commission permitted a dividend to be paid out only by the companies that meet all of the following criteria for distributions from the 2021 and 2022 profits:

- They have received a good or satisfactory SREP risk score for 2021;
- In the various quarters of 2022 they reported no shortage of own funds to cover the capital requirement (defined as the maximum of the minimum capital requirement (MCR) and the solvency capital requirement (SCR));
- In 2022 they were not covered by a short-term financial plan or the remedial plan.
- As at 31 December 2022, the level of own funds, without deducting the expected dividends, was at the level of at least 175% of the capital requirements for insurance companies, reinsurance companies, insurance-and-

4) As of the date of this management report, PZU's Board of Directors has not adopted a resolution on the proposal for profit distribution for 2022. A report containing audited information on PZU's solvency ratios and financial condition at the unit level will be published in the second quarter of 2023.

# 7. The PZU Group on the capital and debt markets

reinsurance companies operating in section I and at least 150% of the capital requirements for insurance companies, reinsurance companies, insurance-and-reinsurance companies operating in section II.

The undertakings satisfying the above criteria may pay a dividend in the maximum amount of 100% of the profit generated in 2021 (this including dividends already paid out from the 2021 profit) and 50% of the profit generated in 2022, however the coverage of capital requirements (after deducting the expected dividends from own funds) as at 31 December 2022, and for the quarter in which the dividend was paid, will

be at the level of at least 175% for undertakings operating in section I and at least 150% for undertakings operating in section II.

The undertakings satisfying the above criteria, when deciding on the level of dividends, should take into account their additional capital needs within the period of 12 months from the approval date of the 2022 financial statements, which may result, among others, from changes in the market and legal environment, in particular from the high degree of uncertainty about the macroeconomic perspective regarding, among others, inflation, interest rates, currency

PZU profit and dividend	2018	2019	2020	2021	2022
Consolidated profit attributable to the parent company (PLN million)	3,213	3,295	1,912	3,336	3,374
PZU's unconsolidated profit (PLN million)	2,712	2,651	1,919	2,028	1,637
Dividend paid for the year (PLN million)	2,418	**	3,022	1,675	***
Dividend per share for the year (PLN)	2.80	**	3.50	1.94	***
Dividend per share according to the year in which the right was established (PLN)	2.50	2.80	**	3.50	1.94
(a) Change in share price y/y	4.1%	(8.8)%	(19.2)%	9.2%	0.2%
(b) Annual dividend ratio (%)*	5.9%	6.4%	**	10.8%	5.5%
(a+b) TSR Total Shareholders Return	10.1%	(2.4)%	(19.2)%	20.1%	5.7%

\* ratio calculated as dividend (according to the year in which the right was established) compared to share price as at the end of the previous reporting year

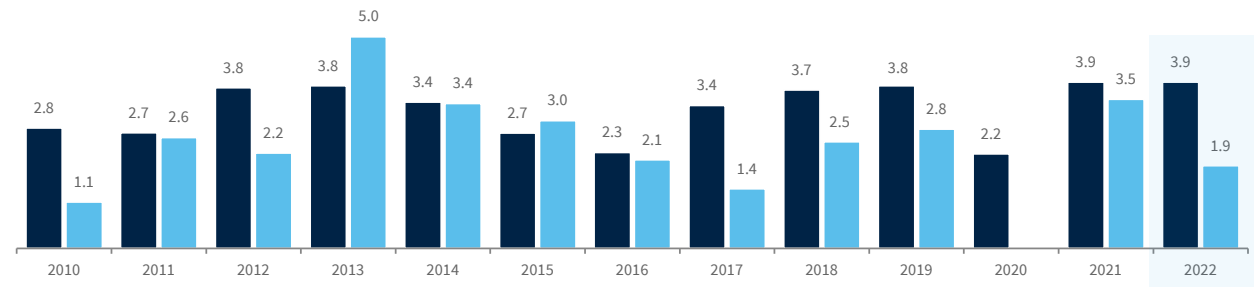
\*\* In 2020, the Ordinary Shareholder Meeting of PZU did not allocate profit to pay out the dividend (following the recommendation of the KNF of 26 March 2020); in 2021, the OSM of PZU resolved on the distribution of the profit generated in 2020 increased by the amount transferred from the supplementary capital created from net profit generated in the year ending on 31 December 2019

\*\*\* up to the date of preparing this report on the activities of the PZU Group, the PZU Management Board has not adopted a resolution concerning the proposed distribution of profit for 2022

Source: PZU figures

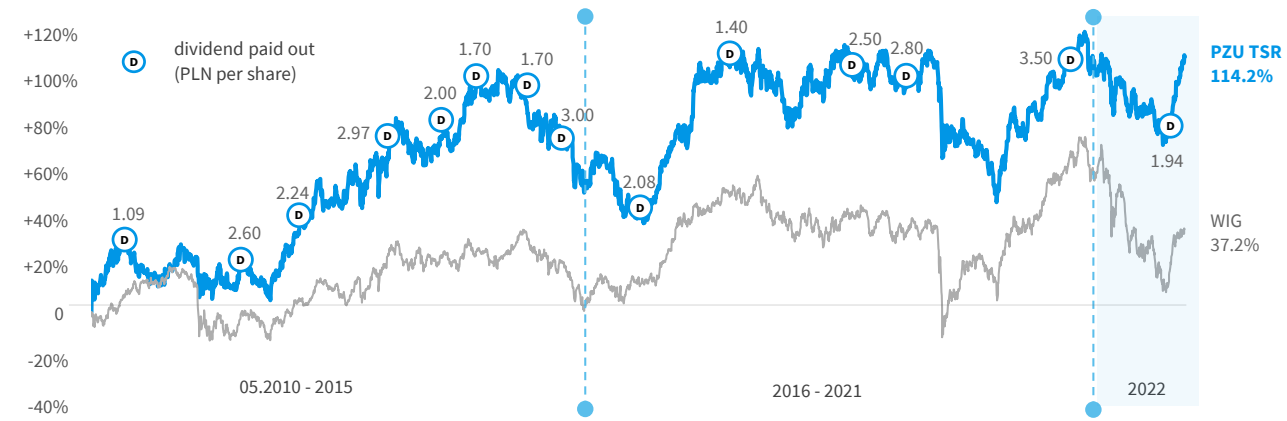
## PZU profit and dividend since going public on the WSE

■ Earnings per share (EPS) attributable to the parent company for a given year (PLN) ■ Dividend per share (in PLN) as at the date of establishing dividend right by the General Meeting



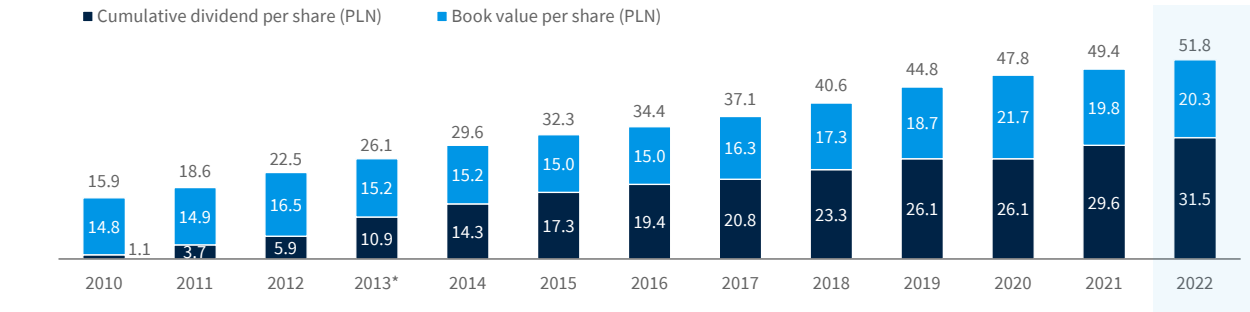
Source: PZU

## Total Shareholders Return (TSR) compared to the WIG index



Source: PZU

## Book value per share and cumulative gross dividend per share of PZU in PLN



\*) in 2013, the dividend was paid out from the excess capitals (PLN 2 per share)

Source: PZU

exchange rates, energy resources or effects brought about by the invasion of Russia on Ukraine, and therefore potential future negative consequences of these circumstances for insurance companies, reinsurance companies, insurance-and-reinsurance companies.

to unfavorable market conditions, on 31 May 2022, the PZU Management Board announced its decision to quit any such further works (current report 11/2022).

## Pekao Bank

**Covered bonds** – Pekao Bank Hipoteczny issues long-term debt securities secured on its loan portfolio. The issue is uncapped in value. Pekao Bank Hipoteczny's covered bonds have been rated by Fitch at BBB+ with a stable outlook (one notch above the rating for Pekao Bank Hipoteczny whose risk Fitch assesses at BBB).

At the end of 2022, the carrying amount of the covered bonds issued by the Bank was PLN 2.2 billion (including EUR 50 million in the original currency), which represents roughly a 11.9% market share in the market for covered bonds issued by mortgage banks operating in Poland. The liabilities by virtue of covered bonds (mortgage and public bonds) with a maturity of up to 1 year accounted for 10.0%, from 1 to 3 years for 40.2%, from 3 to 5 years 49.8% of the total carrying amount.

## 7.7. Debt financing of PZU, Bank Pekao and Alior Bank

### PZU

**Subordinated bonds** (in compliance with Solvency II) – value of PLN 2.25 billion, bearing interest at WIBOR6M GLOSSARY + 180 bp, issued on 30 June 2017. The maturity date is 29 July 2027, or 10 years after issue with an early redemption option 5 years after the issue date. The bonds are listed on the Catalyst ASO WSE/Bondspot.

In H1 2022, the PZU Management Board analyzed options of new issued of subordinated bonds of up to PLN 3 billion and early redemption of this bond series of PLN 2.25 billion. Due

# 7. The PZU Group on the capital and debt markets

**Unsecured bonds** – the Pekao Group’s various entities conduct programs to issue unsecured bonds backed by Bank Pekao. These instruments are used to diversify funding sources; in particular, they elevate the percentage of the Bank’s subsidiaries’ assets funded directly from the wholesale market.

Regularly renewed securities with maturities of up to 1 year are the most prevalent among the issues conducted by Pekao Leasing (issue program of PLN 6 billion) and Pekao Faktoring (issue program of PLN 5 billion). The total liabilities under these two entities’ issues as at 31 December 2022 were PLN 8.62 billion.

## Alior Bank

**Bonds** – in 2022 Alior Bank did not conduct any issue of own bonds. On 23 February 2022, the Management Board of Alior Bank adopted a resolution authorizing that the book-building process be commenced in connection with the Bank's preparation of a bond issue which, following approval by the Polish Financial Supervision Authority, was to constitute instruments in the Bank's Tier II capital. Having analyzed the current market conditions, on 16 March 2022 the Management Board of Alior Bank adopted a resolution on quitting the bond book-building process. This decision was brought about by the extraordinary situation caused by the armed conflict in Ukraine, which negatively impacts financial markets and could materially negatively influence the book-building process.

In 2022, Alior Bank redeemed on time subordinated bonds, i.e., on 4 February 2022, EUR001 series, with a nominal value of EUR 10 million, and on 16 May 2022, series P1A with a nominal value of PLN 150 million.

**Bank securities and structured products** – in 2022, Alior Bank carried out a subscription of 11 bank securities (BPW) with a total volume of PLN 420.5 million, including:

- 6 six series of Bank Securities under the 1st Issue Program of PLN 227 million
- 5 series of Bank Securities under the 2nd Issue Program based on the base prospectus of PLN 193.5 million.

There were four subscriptions for structured products of external issuers of PLN 136.1 million. The structured products were offered in a public offering to individual customers meeting the target group criteria, including clients of Private Banking, and corporate clients. The issues offered 100% protection of capital on maturity.

For clients of Private Banking, there were 14 subscriptions of structured products with limited capital guarantee and/ or conditional early redemption. The offer included 12 subscriptions of certificates/structured products, such as Auto Call, and two subscriptions of Reverse Convertible certificates convertible into shares. The total nominal value of the subscriptions of certificates/structured bonds was PLN 204.4 million.

In 2022, 11 issues of BPW were finalized, out of which the best generated the result of 12%, eight Auto Call-type certificates, out of which the best return rate was 26%, and three Reverse Convertible with the highest coupon of 10.15%.

## 7.8. PZU, Bank Pekao and Alior Bank rating

### PZU

Since 2004, PZU and PZU Życie have been subject to regular reviews by the rating agency of S&P Global Ratings (S&P). The rating assigned to PZU and PZU Życie results from an analysis of financial data, competitive position, management and corporate strategy of both companies as well as the sovereign rating. It also includes a ratings outlook, or an assessment of the Company’s future position in the event that specific circumstances occur.

**Recent rating/outlook changes:** On 6 April 2020, the rating agency of S&P Global Ratings (S&P) revised the rating outlook of PZU from “positive” to “stable”. The financial strength and credit ratings of PZU remained at A-.

**Recent rating/outlook affirmation:** 28 June 2022, the rating agency of S&P Global Ratings (S&P) affirmed the financial strength and credit ratings of PZU at A- with a stable outlook and TUW PZUW's financial strength rating at A- with a stable outlook.

### Pekao Bank

Bank Pekao cooperates with three leading rating agencies: Fitch Ratings (Fitch), S&P Global Ratings (S&P) and Moody’s Investors Service (Moody’s). The first two agencies prepare the rating at the Bank’s request on the basis of concluded contracts; however, the Bank does not have a contract Moody’s and their rating is based on publicly available information and review meetings.

### Fitch

On 14 September 2022, the Fitch rating agency notified the Bank that its long-term issuer’s rating (IDR) was lowered from “BBB+” to “BBB” with a stable outlook, the domestic long-term rating

	Current		Previous	
Company name	Rating and outlook	Last change	Rating and outlook	Update date
<b>PZU</b>				
Financial strength rating	<b>A-</b> /stable/	6 April 2020	<b>A-</b> /positive/	14 June 2019
Credit reliability rating	<b>A-</b> /stable/	6 April 2020	<b>A-</b> /positive/	14 June 2019
<b>PZU Życie</b>				
Financial strength rating	<b>A-</b> /stable/	6 April 2020	<b>A-</b> /positive/	14 June 2019
Credit reliability rating	<b>A-</b> /stable/	6 April 2020	<b>A-</b> /positive/	14 June 2019
<b>TUW PZUW</b>				
Financial strength rating	<b>A-</b> /stable/	6 April 2020	<b>A-</b> /positive/	14 June 2019

### Poland’s rating<sup>5</sup>

	Current		Previous	
Country	Rating and outlook	Last change	Rating and outlook	Update date
<b>Poland</b>				
Credit reliability rating (long-term, local currency)	<b>A</b> /stable/	12 October 2018	<b>A-</b> /positive/	13 April 2018
Credit reliability rating (long-term, foreign currency)	<b>A-</b> /stable/	12 October 2018	<b>BBB+</b> /positive/	13 April 2018
Credit reliability rating (short-term, local currency)	<b>A-1</b>	12 October 2018	<b>A-2</b>	13 April 2018
Credit reliability rating (short-term, foreign currency)	<b>A-2</b>	13 April 2018	<b>A-2</b>	13 April 2018

Source: S&P Global Ratings

5) On 1 October 2022, the S&P rating agency decided to affirm the rating at A- and A-2 for long- and short-term liabilities in foreign currencies, respectively, and at A and A-1 for long- and short-term liabilities in the domestic currency, respectively. The rating outlook remained stable.



## 7. The PZU Group on the capital and debt markets

FITCH RATINGS	PEKAO BANK	POLAND
Long-term issuer's rating (IDR)	<b>BBB</b>	<b>A-</b>
Short-term issuer's rating (IDR)	<b>F2</b>	<b>F1</b>
Viability rating	<b>bbb</b>	–
Government subsidy rating	No subsidy	–
Outlook	<b>Stable</b>	<b>Stable</b>
Domestic long-term rating	<b>AA-(pol)</b> <b>(outlook: stable)</b>	–
Domestic short-term rating	<b>F1+(pol)</b>	–

was lowered from “AA(pol)” to “AA-(pol)” with a stable outlook, and the viability rating was lowered from “bbb+” to “bbb”. The short-term issuer's rating (IDR) was affirmed at “F2”, and the domestic short-term rating at “F1+(pol)”. The government subsidy rating was determined at “no subsidy.”

Following the justification of Fitch, the decrease in the viability rating, long-term issuer's rating (IDR) and domestic long-term rating for Pekao mostly reflects the decrease of the rating of the Polish operational environment from “bbb+” to “bbb” and the Fitch's assessment that it worsens the overall credit profile of Pekao, taking into account wide exposure of the bank to the Polish operational environment.

Ratings of Pekao Bank reflect its strong market position and stable business model. In connection with the moderate risk appetite, it enables generating relatively stable profits and a solid capital, and maintaining favorable financing capabilities and liquidity position. At the same time, the general credit

profile of Bank Pekao is limited due to risk present in the Polish operational environment, as the bank is largely exposed to a variety of clients and business segments in Poland.

### S&P Global Ratings

On 27 January 2022, S&P Global Ratings affirmed the existing ratings and the stable rating outlook for the Bank. According to S&P, the rating reflects the Bank's strong business position and the high level of customer trust due to the fact that the bank has strong State-related shareholders, PZU and PFR. It is the opinion of the Agency that acquisition and integration of some of the assets and equity and liabilities of Idea Bank has no material impact on the capital ratios and risk profile of Pekao Bank. Both the profitability and efficiency of the Bank continue to rank similarly to other Polish banks and higher compared to many international institutions. S&P thinks that the Bank's involvement in CHF loans is irrelevant. The Pekao's stable outlook is reflected by the outlook of its biggest investor – PZU.

S&P GLOBAL RATINGS	PEKAO BANK	POLAND
Long-term rating in foreign currencies	<b>BBB+</b>	<b>A-</b>
Long-term rating in domestic currency	<b>BBB+</b>	<b>A</b>
Short-term rating in foreign currencies	<b>A-2</b>	<b>A-2</b>
Short-term rating in domestic currency	<b>A-2</b>	<b>A-1</b>
Stand-alone rating	<b>bbb+</b>	–
Outlook	<b>Stable</b>	<b>Stable</b>

S&P GLOBAL RATINGS (COUNTERPARTY'S RATING IN THE CASE OF FORCED RESOLUTION)	PEKAO BANK	POLAND
Long-term rating of liabilities in foreign currencies	<b>A-</b>	–
Short-term rating of liabilities in foreign currencies	<b>A-2</b>	–
Long-term rating of liabilities in domestic currency	<b>A-</b>	–
Short-term rating of liabilities in domestic currency	<b>A-2</b>	–

### Moody's

On 20 December 2022, Moody's announced that it maintained the Bank's ratings at the previous level and the Bank's stable rating outlook. Following the justification provided by Moody's, the Bank's capitalization and profitability provide sufficient buffers to absorb possible risks. The Bank's small exposure to CHF loans, amounting to approximately 1% of net loans, would even allow the Bank to fully observe its

exposure to these loans without a significant impact on its capitalization. Moody's points to the high coverage ratio of non -performing loans of 96% as at 30 September 2022, excluding the portfolio acquired by Idea Bank which holds the guarantee of the Bank Guarantee Fund. Moody's rating also takes into account high capital buffers of the Bank together with the CET1 equity ratio of 15% in September 2022 and expectations as to the Bank's profitability.

MOODY'S INVESTORS SERVICE (RATINGS NOT REQUESTED BY THE BANK)	PEKAO BANK	POLAND
Long-term rating of deposits in foreign currencies	<b>A2</b>	<b>A2</b>
Short-term rating of deposits	<b>Prime-1</b>	<b>Prime-1</b>
Baseline Credit Assessment	<b>baa2</b>	–
Long-term counterparty credit risk rating	<b>A2(cr)</b>	–
Short-term counterparty credit risk rating	<b>Prime-1(cr)</b>	–
Outlook	<b>Stable</b>	<b>Stable</b>
Long-term counterparty risk rating	<b>A2</b>	–
Short-term Counterparty Risk Rating	<b>Prime-1</b>	–

7. The PZU Group on the capital and debt markets

FITCH RATINGS	ALIOR BANK	POLAND
Long-term issuer's rating (IDR)	BB	A-
Short-term issuer's rating (IDR)	B	F1
Viability rating	bb	-
Government subsidy rating	ns	-
Outlook	Stable	Stable

S&P GLOBAL RATINGS	ALIOR BANK	POLAND
Long-term rating in foreign currencies	BB	A-
Long-term rating in domestic currency	BB	A
Short-term rating in foreign currencies	B	A-2
Short-term rating in domestic currency	B	A-1
Stand-alone rating	bb-	-
Outlook	Stable	Stable


Alior Bank

On 29 November 2022, Fitch Ratings Ltd. informed the Bank that the long-term IDR rating was affirmed at BB with a stable outlook, and the VR rating was confirmed at bb, and that the short-term domestic rating was increased from F2(pol) to F1(pol).  
  
The outlook and rating issued by S&P Global Ratings on 8 December 2021 did not change in 2022.


7.9. Calendar of PZU’s reports published in 2023


Report	PZU	Pekao Bank	Alior Bank
2022 Annual Report	30 March	2 March	3 March
Quarterly Report for Q1 2023	25 May	27 April	26 April
Half-Yearly Report for H1 2023	31 August	3 August	2 August
Quarterly Report for Q3 2023	23 November	8 November	26 November

7.10. Contact details for investors



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IR website:  
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Contact:  
<https://www.aliorbank.pl/dodatkowe-informacje/relacje-inwestorskie/kontakt-dla-inwestorow.html>



IR website:  
<https://www.pekao.com.pl/relacje-inwestorskie/>

Contact:  
<https://www.pekao.com.pl/relacje-inwestorskie/kontakt/kontakt.html>





# 8.

## Corporate governance statement

- 8.1. Application of corporate governance rules
- 8.2. Financial statements control system
- 8.3. Audit firm auditing the financial statements
- 8.4. Shareholders and the issuer's securities
- 8.5. Rules for changing the Articles of Association
- 8.6. Shareholder Meeting
- 8.7. Supervisory Board
- 8.8. Management Board
- 8.9. Remuneration policy
- 8.10. Diversity policy
- 8.11. Management of a conflict of interest

We appreciate that the leader's role is to set the highest standards for the entire industry. We discharge this function not only by observing a number of codes but also by working continuously on their improvement. We believe that this is how we can make sagacious changes to contribute to the world that surrounds us.





8. Corporate governance statement

8.1. Application of corporate governance rules

PZU’s corporate governance is a set of fundamental principles, practices and processes on the management of and control over the Company's operations. It lays out the rules for the operation of and co-operation between statutory bodies, and shapes their relationship with shareholders, clients and other stakeholders.

High standards in this respect are important for the efficient functioning of all business processes, to ensure long-term and predictable financial stability. From the PZU Group’s perspective, corporate governance also involves shared market responsibility to establish and raise applicable standards of conduct and management.

Corporate governance rules applied at PZU arise from the provisions of the law (in particular the Code of Commercial Companies and Partnerships, the Insurance and Reinsurance Activity Act, and the regulations governing the capital market), as well as the rules set forth especially in the documents specified below:

Best Practices of WSE-Listed Companies 2021

PZU complies with the rules laid out in “Best Practices of WSE-Listed Companies” since its shares were listed for trading on the regulated market. The document entitled “Best Practices of WSE-Listed Companies 2021” adopted by the Supervisory Board of the Warsaw Stock Exchange (WSE) on 29 March 2021 has been in effect since 1 July 2021. It is a collection of corporate governance rules and rules of conduct that affect how public companies interact with their market environment. The text is available on the website of:

- the Warsaw Stock Exchange: <https://www.gpw.pl/best-practice2021>;
- PZU: <https://www.pzu.pl/en/investor-relations/about-the-group/corporate-governance>.

Corporate Governance Rules for Regulated Institutions

Corporate Governance Rules for Regulated Institutions, issued on 22 July 2014 by the Polish Financial Supervision Authority (KNF), define the internal and external relations of regulated institutions, including their relations with shareholders and customers, their organization, the functioning of internal oversight and key internal systems and functions as well as

the governing bodies and the rules for their cooperation. The document is available on the website of:

- the Polish Financial Supervision Authority: [https://www.knf.gov.pl/en/MARKET/Regulations\\_and\\_practice/Practice](https://www.knf.gov.pl/en/MARKET/Regulations_and_practice/Practice);
- PZU: [www.pzu.pl/grupa-pzu/spolki/pzu-sa/zasady-ladu-korporacyjnego](http://www.pzu.pl/grupa-pzu/spolki/pzu-sa/zasady-ladu-korporacyjnego).

Best Insurance Practices

The set of principles expressed in the Best Insurance Practices adopted on 8 June 2009 by the General Assembly of the Polish Chamber of Insurance (PIU) also informs how PZU conducts its business operations and shapes relations with its stakeholders. This document defines the rules of corporate social responsibility in respect to relations between insurance and customers, insurance intermediaries, the regulatory authority and the Financial Ombudsman, the media and in public securities trading. By applying the Best Insurance Practices, PZU conducts regular efforts to develop insurance awareness in the public at large. The document is available on the website of:

- the Polish Chamber of Insurance: <https://piu.org.pl/en/good-practices-of-the-piu-on-the-polish-insurance-market-in-equipment-insurance/>;
- PZU: [https://www.pzu.pl/\\_files/1504268](https://www.pzu.pl/_files/1504268).

Best Practices of the PZU Group

PZU has also developed its own code defining the principal ethical standards governing the Company’s behavior in relations with its stakeholders. The Best Practices of the PZU Group are a set of standards followed by all members of the PZU Group. The values and principles described therein relate to such issues as conflict of interest, handling sensitive information, corruption and gift policy, reporting ethical problems, rules of cooperation with business partners, and disclosures. The obligation of abiding by the enacted standards pertains to all PZU Group employees, regardless of seniority or position. The Best Practices of the PZU Group are available at PZU’s website: [https://www.pzu.pl/\\_files/1515806](https://www.pzu.pl/_files/1515806)

**In the view of Commission Recommendation of 9 April 2014 on the quality of corporate governance reporting (2014/208/EU), here are details concerning the application of corporate governance relating to topics of most importance for shareholders.**

Application of corporate governance rules contained in Best Practices of WSE-Listed Companies

Since 1 July 2021, PZU has been applying the rules found in “Best Practices of WSE-Listed Companies 2021” (“WSE BP 2021”). Declarations of compliance with WSE BP are enshrined in the Rules and Regulations of the Management Board and Supervisory Board of PZU. Furthermore, on 29 June 2022, PZU’s Ordinary Shareholder Meeting adopted a resolution on the adoption of the Best Practice of WSE-Listed Companies 2021. In said resolution, PZU’s Shareholder Meeting declared that it would be guided by WSE BP 2021 in the scope addressed to the Shareholder Meeting and shareholders, taking into account the generally applicable provisions of the law and PZU’s Articles of Association.

On 30 June 2022, PZU published its Statement on PZU’s compliance with WSE BP 2021 (available on the Company's website: [https://www.pzu.pl/\\_files/1531696](https://www.pzu.pl/_files/1531696)).

PZU applies all rules laid down in the Best Practices of WSE-Listed Companies 2021, apart from Practice 2.1, 2.2 & 4.1. The year 2022 saw an incidental violation of Practice 4.9.1. PZU monitors the degree and manner of compliance with the rules laid down in WSE BP 2021 and, if necessary, takes steps on an as-needed basis to ensure compliance therewith to the fullest extent and in an unquestionable manner. In particular, PZU pays attention to the following matters and activities.

Chapter	Material aspects of application of Best Practices of WSE-Listed Companies 2021 at PZU
Chapter 1.  Information policy and communications with investors	<ul style="list-style-type: none"><li>PZU sees to it that there is due communications with stakeholders by having a clear and reliable information policy. Investors’ expectations as to the preferred access to information, communication channels and investor relations tools used are analyzed and satisfied on an ongoing basis. The Rules of PZU's Information Policy towards Capital Market Players are available on the Company’s website <a href="https://www.pzu.pl/_files/1543244">https://www.pzu.pl/_files/1543244</a>.</li><li>PZU maintains a corporate website at <a href="http://www.pzu.pl">www.pzu.pl</a>, which features all disclosures required by the law and indicated in WSE BP 2021. The “Investor Relations” tab at <a href="https://www.pzu.pl/en/investor-relations">https://www.pzu.pl/en/investor-relations</a>, dedicated to investors, features not only disclosures and reports required by law, but also presentations on results drawn up and published on a quarterly basis as well as recordings and transcripts of result conferences and other important corporate events. Every year, PZU publishes PZU Group’s Annual Report online. The Investor Relations page and online Annual Reports are available in both Polish and English.</li><li>PZU strives to make available its interim reports much before the deadlines arising from the law.</li><li>Questions of ESG, including the environment, climate change risks and indicators, sustainable development, as well as social and labor issues, constitute an integral part of the PZU Group’s business strategy (the applicable strategy is available at <a href="#">Presentation - PZU Group Strategy for 2021-2024</a>).</li><li>On its website, PZU publishes information concerning strategy assumptions, targets - in particular long-term targets - efforts planned and progress made defined through financial and non-financial indicators, as well as information concerning the ESG Strategy. Detailed information in this regard, such as efforts (including the way in which climate is accounted for in the decision-making processes), targets, indicators (including equal pay), and initiatives, are presented in online annual reports and in non-financial statements published on the PZU’s website.</li><li>The statement of expenses incurred by the PZU Group to support culture, sport, physical activity, social organizations and foundations, charities, media, and trade unions is presented by PZU since 2022 in online annual reports and in non-financial statements published on the PZU’s website.</li><li>Every quarter, PZU organizes result conferences for investors and analysts involving representatives of the Management Board and chat sessions for retail investors held by the CFO. The meetings are to discuss financial results, the degree to which the strategy is implemented, and the most important events affecting the PZU Group’s operations.</li><li>PZU representatives regularly contact investors (both institutional and retail) and analysts, allowing them to ask questions and obtain clarifications pertaining to matters of their interest (subject to prohibitions under law). Contact occurs both within modern electronic communication channels and through in-person meetings during investor conferences organized by Polish and foreign brokerage houses as well as on-site meetings.</li><li>PZU endeavors to respond to investors’ questions immediately, and with respect to e-mail questions - within three working days.</li></ul>



8. Corporate governance statement

Chapter	Material aspects of application of Best Practices of WSE-Listed Companies 2021 at PZU
<b>Chapter 2.</b> Management Board and Supervisory Board	<ul style="list-style-type: none"><li>Members of the PZU Management Board and Supervisory Board strive to apply the rules applicable to them to the fullest possible extent, which include:<ul style="list-style-type: none"><li>in 2022, functions on the PZU Management Board were the main area of the professional activity of PZU Management Board Members,</li><li>a consent from the PZU Supervisory Board is required for PZU Management Board Members to hold positions in corporate bodies outside of the PZU Group,</li><li>PZU Supervisory Board Members devoted the time necessary to perform their duties,</li><li>The PZU Supervisory Board Chairman does not combine this function with that of chairperson of the Audit Committee operating within the PZU Supervisory Board,</li><li>the required number of PZU Supervisory Board Members meet the independence criteria laid down in the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision and have no actual and material relations with any shareholder holding at least 5% of the total vote in the Company.</li></ul></li><li>PZU sets aside administrative and financial resources required to ensure the efficient operation of the Company's Supervisory Board.</li><li>PZU Supervisory Board reports contain all elements specified under Principle 2.11 WSE BP 2021.</li><li>As regards Principle 2.1 &amp; 2.2, PZU employs a diversity policy towards members of PZU governing bodies, adopted by the PZU Supervisory Board and Shareholder Meeting, which specifies the diversity targets and criteria in such areas as gender, education, specialist knowledge, age, and professional experience, and lays out the timeline and method for monitoring the achievement of those targets. In line with the policy, the Shareholder Meeting and Supervisory Board, in selecting the members of the Supervisory Board and the Management Board, respectively, strive for gender parity in PZU governing bodies, with the minimum gender minority participation at 30%. The gender diversity condition for the minority share of no less than 30% is not satisfied in the PZU Supervisory Board. The condition is met in the PZU Management Board. The foregoing notwithstanding, PZU points to the following issues:<ul style="list-style-type: none"><li>as regards qualifications and requirements for those occupying positions in management and supervisory bodies, PZU in particular takes into account the statutory criteria for education and professional experience adequate to the functions discharged on such positions in the entity conducting insurance activity,</li><li>in shaping the membership of the Company's corporate bodies, PZU applies the diversity policy while also maintaining an objective approach and being guided by substantive criteria,</li><li>the diversity targets and criteria in such areas as education, specialist knowledge and professional experience, as well as the timeline and method for monitoring the achievement of those targets are laid out in the Suitability Assessment Rules of the Supervisory Board and Audit Committee as well as of the PZU Management Board, adopted by the virtue of resolutions of the PZU Shareholder Meeting and Supervisory Board, respectively.</li></ul></li></ul>
<b>Chapter 3.</b> Internal systems and functions	<ul style="list-style-type: none"><li>PZU maintains effective internal control, risk management and compliance systems as well as an effective internal audit function, corresponding to its size as well as the nature and scale of operations.</li><li>The PZU Group's internal control system has been developed at the level of the leading entity (i.e., PZU) and is applicable to all members of the PZU Group, in consideration of their distinct nature, proportionality and adequacy.</li><li>PZU exercises supervision over the entire PZU Group's risk management system. This supervision is based on mutual cooperation agreements entered into with the subsidiaries and the information provided thereunder. PZU manages risk at the Group level on an aggregate basis, especially with respect to capital requirements. In addition, PZU, as a leading entity, manages risk concentration on the level of the whole financial conglomerate. PZU makes efforts aimed at ensuring adequate and uniform standards of compliance solutions in all subsidiaries and monitors compliance risk throughout the entire Group.</li></ul>

Chapter	Material aspects of application of Best Practices of WSE-Listed Companies 2021 at PZU
<b>Chapter 3.</b> Systemy i funkcje wewnętrzne	<ul style="list-style-type: none"><li>PZU's structure features separate units responsible for individual systems and functions.</li><li>The Managing Director on Audit, who heads the Internal Audit Department, reports functionally to the Audit Committee and organizationally directly to the CEO. The appointment and dismissal of the person managing the internal audit unit must be consulted with the Audit Committee. The person managing internal audit may directly contact the Supervisory Board and Audit Committee Chairperson, and in particular immediately provide the Audit Committee with material information with respect to material irregularities found.</li><li>The Managing Director on Regulations, within whose remit falls supervision over the Compliance Department, organizationally reports directly to the CEO of PZU. The selection, appointment and dismissal of the person managing the compliance unit must be consulted with the Audit Committee. The Managing Director on Regulations, as well as the Director of the Compliance Department, have direct access to the Management Board and Supervisory Board Members to whom the compliance function reports.</li><li>The Director of the Risk Department organizationally directly reports to a PZU Management Board Member.</li><li>The annual activity report concerning the Internal Audit Department, featuring among others an assessment of the internal control system, including compliance and risk management system, is adopted by the virtue of the resolution of the PZU Management Board. The report is presented to the Supervisory Board's Audit Committee. The assessment presented in the report is discussed by the Audit Committee Chairman at the meeting of the Supervisory Board.</li><li>The PZU Supervisory Board monitors the efficiency of internal control, risk management, and compliance, along with the efficiency of the internal audit function based on, among others, the interim reports it receives; it also carries out an annual assessment concerning the efficiency of those systems and functions and includes relevant disclosures in its annual report.</li><li>At PZU, an assessment of the internal audit function is carried out internally (annually) and by third parties (no less than once every five years). A third-party assessment of the internal audit function at PZU conducted by PwC Advisory in 2020 and an analysis of coordination of the Group's internal audit together with the annual assessment run by the Internal Audit Department demonstrated general compliance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics developed by the Institute of Internal Auditors (IIA).</li></ul>
<b>Chapter 4.</b> Shareholder Meeting and relations with shareholders	<ul style="list-style-type: none"><li>On 29 June 2022, the PZU Shareholder Meeting adopted a resolution on the adoption of WSE BP 2021 in which it declared that, acting within its powers, it will be guided by WSE BP 2021 to the extent that it is addressed towards the Shareholder Meeting and shareholders, taking into account the generally applicable provisions of the law and PZU's Articles of Association.</li><li>In determining the time and place for the Shareholder Meeting, PZU ensures that as many shareholders as possible may take part (Shareholder Meetings take place in Warsaw).</li><li>With respect to Principle 4.1, PZU does not allow shareholders to participate in the shareholder meeting using means of electronic communication. However, PZU shareholders have not raised expectations regarding the need or rationale to organize e-Shareholder Meetings. Moreover, PZU believes that there are many technical and legal factors that may affect the proper course of the shareholder meeting if an e-Shareholder Meeting is introduced. The legal doubts pertain to the ability to identify shareholders and check the legitimacy of participants in the shareholder meeting. The risk of the occurrence of technical difficulties, e.g. with the internet connection or possible external interference in the IT systems may disrupt the work of the shareholder meeting and evince doubts concerning the efficacy of the resolutions adopted during its course. The appearance of these risks may affect the proper application of this rule to a full extent.</li><li>PZU ensures that livestreams of Shareholder Meetings are widely available, and that information concerning the planned broadcast is published in advance on the Company's website. After the Shareholder Meeting concludes its session, the recording is published on the PZU's website under the Investor Relations section (<a href="https://www.pzu.pl/en/investor-relations/shares-and-bonds/shareholders-meetings">https://www.pzu.pl/en/investor-relations/shares-and-bonds/shareholders-meetings</a>).</li><li>Media representatives may be present at a PZU Shareholder Meeting;</li></ul>



8. Corporate governance statement

Chapter	Material aspects of application of Best Practices of WSE-Listed Companies 2021 at PZU
<b>Chapter 4.</b> Shareholder Meeting and relations with shareholders	<ul style="list-style-type: none"><li>• PZU Management Board and Supervisory Board Members take part in the PZU Shareholder Meetings. The Management Board presents the participants of the Ordinary Shareholder Meeting with the Company's financial results and other material information, including non-financial information, found in the financial statements to be approved by the Shareholder Meeting.</li><li>• PZU endeavors to ensure that draft resolutions be submitted no later than three days before the shareholder meeting. The PZU Management Board appends justifications to its draft resolutions on matters and decisions which do not pertain to the business of the meeting, unless such justifications arise from the documentation presented to the Shareholder Meeting. Draft resolutions submitted by shareholders should also be submitted with justifications. PZU publishes draft resolutions with justifications on the PZU website under the Investor Relations section (<a href="https://www.pzu.pl/en/investor-relations/shares-and-bonds/shareholders-meetings">https://www.pzu.pl/en/investor-relations/shares-and-bonds/shareholders-meetings</a>).</li><li>• In 2022, Principle 4.9.1 was incidentally violated. The principle states that where the shareholder meeting deliberates on the appointment of a person to the supervisory board or the appointment of a supervisory board for a new term, candidates for the board shall be put forward within a timeframe allowing the shareholders present at the shareholder meeting to make a decision with due consideration, but no later than three days prior to the shareholder meeting; candidate submissions, together with the complete documents concerning them, shall be immediately published at the Company's website. Seeing that a candidate for the PZU Supervisory Board was put forward by a PZU shareholder on 31 August 2022, i.e., one day before the PZU Extraordinary Shareholder Meeting, there has been an incidental violation of Principle 4.9.1. PZU published the complete documents concerning the candidate at its website immediately upon their receipt. The report concerning the incidental violation of Best Practices was published by PZU on 1 September 2022.</li><li>• PZU strives to pay out the dividend to its shareholders in line with PZU's dividend policy and KNF's position. Since its first listing at WSE, PZU has been paying out the dividend every year, except for 2020, when KNF and EIOPA recommended that insurers temporarily suspend the payment of dividend.</li></ul>
<b>Chapter 5.</b> Conflict of interest and transactions with related parties	<ul style="list-style-type: none"><li>• PZU has internal regulations on the management of a conflict of interest and conclusion of transactions with related parties in the event that a conflict of interest may arise, which guarantee compliance with the principles found in Chapter 5 WSE BP 2021.</li><li>• No PZU shareholder is treated preferentially in relation to other shareholders with respect to transactions with related parties.</li><li>• PZU has regulations concerning transfer pricing. The general rule is that transactions between related parties should be concluded on an arm's length basis. As a rule, an analysis confirming that the transaction is concluded on an arm's length basis is drawn up for each such transaction.</li><li>• In mitigating the conflict of interest risk, members of PZU's corporate bodies are obliged to:<ul style="list-style-type: none"><li>- avoid actions which may give rise to a conflict of interest;</li><li>- undertake actions necessary to identify a conflict of interest;</li><li>- obtain consent (of the Management Board, Supervisory Board or Shareholder Meeting) for their membership in management boards and supervisory boards of listed companies other than PZU Group companies and of entities whose business may be considered in competition;</li><li>- seek to eliminate or mitigate the adverse impact of a conflict of interest on the operations of a PZU Group company and its relationship with other PZU Group companies, clients, and third parties;</li><li>- inform the Management Board, Supervisory Board or Shareholder Meeting about a conflict of interest that has arisen or may arise, and refrain from speaking out or voting on matters which involve the conflict of interest;</li><li>- inform the compliance unit about a potential conflict of interest and actions taken.</li></ul></li><li>• Potential conflicts of interest involving Management Board or Supervisory Board Members are analyzed within the framework of suitability assessment before these persons are appointed to those bodies, and within cyclical suitability reassessments. An annual analysis of additional actions taken by members of corporate bodies is also carried out.</li></ul>

Chapter	Material aspects of application of Best Practices of WSE-Listed Companies 2021 at PZU
<b>Chapter 5.</b> Conflict of interest and transactions with related parties	<ul style="list-style-type: none"><li>• The PZU Supervisory Board and its committees may use the services of experts and consulting firms.</li><li>• PZU has not engaged in share buybacks.</li><li>• PZU Group companies have regulations governing the management of a conflict of interest, adjusted to standards set out by PZU and adequate to its profile and scope of operations.</li></ul>
<b>Chapter 6.</b> Remunerations	<ul style="list-style-type: none"><li>• PZU has a remuneration policy for PZU Management Board Members and PZU Supervisory Board Members, adopted by the PZU Shareholder Meeting. It satisfies the requirements of Chapter 6 of WSE BP 2021.</li><li>• The compensation policy implemented supports the achievement of targets laid out in the PZU Group's business strategy, both as regards financial results as well as the Company's contribution into sustainable development; it also helps motivate and retain members of the supervisory and management bodies, senior management, and key employees.</li><li>• Supervisory Board Members receive monthly remuneration which is not dependent on the Company's short-term results or the number of sessions held. The chairpersons of committees operating within the Supervisory Board receive higher remuneration.</li><li>• Under the remuneration principles applicable to Management Board Members, the value of variable compensation for the given financial year depends on the achievement of management targets selected by the Supervisory Board from a list, including the improvement of economic and financial indicators, and actions of social interest, including those which makes the Company contribute to environmental protection.</li><li>• Remuneration rules do not provide for long-term incentive plans.</li></ul>

The statement on compliance with WSE BP 2021 is available on the PZU's website under the Investor Relations section: <https://www.pzu.pl/en/investor-relations/about-the-group/corporate-governance>

Application of Corporate Governance Rules for Regulated Institutions

The PZU Management Board and Supervisory Board adopted resolutions (respectively, UZ/375/2014 of 17 December 2014 and URN/49/2014 of 19 December 2014), whereby they adopted standards arising from the Corporate Governance Rules for Regulated Institutions (CGR) to the broadest possible extent while giving consideration to the rule of proportionality and the rule “comply or explain.”

In its resolution no. 36/2015 of 30 June 2015, the PZU Ordinary Shareholder Meeting declared that, acting within its powers, it will be guided by CGR in the wording adopted by KNF on 22 July 2014, subject to rules from which it derogated, i.e., rules under § 10(2), § 12(1), and § 28(4).

The detailed statement on PZU's compliance with CGR, taking into account the rules partially complied with and those which do not apply to PZU due to the nature of its operations has been published on the PZU's website.

PZU monitors the degree and manner of compliance with CGR and, if necessary, takes steps on an as-needed basis to ensure compliance therewith to the fullest extent. In particular, PZU pays attention to the following matters and activities.

Chapter	Material aspects concerning the application of Corporate Governance Rules for Regulated Institutions
<b>Chapter 1.</b> Organization and organizational structure	<ul style="list-style-type: none"><li>• PZU has relevant rules and regulations concerning its organization and organizational structure. PZU's organization is adapted to the strategic objectives and methods of their implementation, as well as to the need to independently monitor operational and strategic risks concerning its business. The strategic objectives, taking into account the nature and scale of operations, are laid down in the PZU Group Strategy adopted by the Management Board and approved by the Supervisory Board.</li></ul>





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Chapter	Material aspects concerning the application of Corporate Governance Rules for Regulated Institutions
<b>Chapter 1.</b> Organization and organizational structure	<ul style="list-style-type: none"><li>PZU's organization is reflected in PZU's organizational structure. For the organizational structure, please consult Investor Relations in PZU's website: (<a href="https://www.pzu.pl/en/investor-relations/about-the-group/group-structure">https://www.pzu.pl/en/investor-relations/about-the-group/group-structure</a>). The organizational structure features distinct functions divided by duties and responsibilities between Management Board Members, as well as the division of duties and responsibilities between the headquarters' organizational units, local structures, and individual position groups.</li><li>PZU has a Business Continuity Plan. PZU also has a Crisis Management Team, the purpose of which it is to exercise oversight over the business continuity management system and to manage crises.</li><li>Irregularities at PZU may be reported anonymously. The Whistleblowing Procedure ensures confidentiality, discretion and personal data protection for whistleblowers. An employee who reports a potential irregularity in good faith is not at risk of any sanctions; nor does he or she incur any consequences pertaining to his or her employment relationship due to that report.</li></ul>
<b>Chapter 2.</b> Relations with shareholders of a regulated institution	<ul style="list-style-type: none"><li>PZU operates with the interests of all stakeholders in mind, unless they are contrary to the interests of PZU. To this end, PZU has developed Best Practices of the PZU Group, Rules of PZU's Information Policy towards Capital Market Players, and Rules for the Management of a Conflict of Interest.</li><li>PZU ensures that shareholders have equal access to information, including such featured on shareholder meetings. All disclosures are published under Investor Relations in PZU's website.</li><li>PZU does not allow active electronic participation in Shareholder Meetings due to reasons presented with respect to the application of Principle 4.1 WSE BP 2021. PZU shareholders may watch online livestreams of the Shareholder Meeting.</li><li>In the view of certain capital and personal links, PZU pays particular attention to the relationships and transactions within the PZU Tax Group and with related parties. For this purpose, it applies relevant policies and procedures. All transactions are carried out in line with tax and legal requirements, transparently, and in line with market standards. Transactions with related parties are described in PZU's financial statements.</li><li>Decisions concerning the payout of dividend are taken in line with the Capital and Dividend Policy of the PZU Group and the recommendations of KNF. In line with the policy, PZU endeavors to maximize the rate of return on equity for the parent company's shareholders, in particular by maintaining the level of security and retaining capital resources for strategic growth objectives through organic growth and acquisitions.</li></ul>
<b>Chapter 3.</b> Management	<ul style="list-style-type: none"><li>The PZU Management Board is a collegiate body.</li><li>Management Board Members meet legal criteria (including those in the Insurance and Reinsurance Activity Act and Act on the Management of State Property), regulatory requirements, WSE BP 2021, and CGR. Management Board Members share between them the adequate knowledge, experience and skills to manage PZU's operations. The Supervisory Board assesses and reassesses the suitability of candidates for and members of PZU Management Board - individually and jointly. Verification is based on the criteria of competence, guarantee (of reputation and reliability), independent judgment (including no conflict of interest) and sufficient time dedication to the position of the Management Board Member.</li><li>The Management Board is the sole body authorized to manage PZU's operations and the sole to be responsible for it. The Management Board acts in the interest of PZU, guided by law, recommendations of supervisory authorities, and internal regulations, having the safety of the Company in its mind.</li><li>The Management Board Members are jointly responsible for the decisions which are reserved for their remit, regardless of the internal division of responsibility for the respective areas of operations. PZU Management Board Members exercise oversight with respect to processes within their area, the scope of which is set out by the CEO in an order. The document clearly and unambiguously regulates the responsibility of the respective Management Board Members for oversight with respect to individual PZU organizational structures.</li><li>Management Board Members are not involved in social or profit-making activity which could lead to a conflict of interest with respect to PZU's operations, or adversely affect their reputation as a Management Board Member. The rules for mitigating conflicts of interest are laid out in the Management Board's Rules and Regulations and the Code of Ethics for Members of Management Boards of PZU Group Companies.</li></ul>

Chapter	Material aspects concerning the application of Corporate Governance Rules for Regulated Institutions
<b>Chapter 4.</b> Supervisory body	<ul style="list-style-type: none"><li>Members of the Supervisory Board meet legal criteria (including those in the Insurance and Reinsurance Activity Act and Act on the Management of State Property), regulatory requirements, WSE BP 2021, and CGR. Supervisory Board Members share between them the adequate knowledge, experience and skills to supervise PZU's operations. The Shareholder Meeting assesses and reassesses the suitability of candidates for and members of the Supervisory Board - individually and jointly. Verification is based on the criteria of competence, guarantee (of reputation and reliability), independent judgment (including no conflict of interest) and sufficient time dedication to the position of the Supervisory Board Member.</li><li>The Supervisory Board continually supervises PZU's operations in all areas and may undertake necessary supervisory action in an ongoing manner.</li><li>The Supervisory Board and respective Members thereof are guided by objective assessment and judgment, and among others may avail themselves of the services of experts and advisory companies.</li><li>Over half of the Members sitting in the Supervisory Board meet the independence criteria laid out in the Statutory Auditor Act (including all members of the Audit Committee).</li><li>The scope of the Audit Committee's duties includes monitoring the performance of financial audit activities at PZU, in particular, the conduct of the audit by the audit firm, taking into account the findings and conclusions of the Polish Audit Supervision Agency following from an inspection carried out in the audit firm. A statutory auditor provides the Supervisory Board with their opinion on the conduct of the audit of the statements.</li><li>Supervisory Board Members exercise their functions actively, as testified to by the number of and high attendance rate at sessions of the Supervisory Board and separately held sessions of the Supervisory Board Committees. The competences, qualifications, and professional experience of the Management Board Members and their guarantee of due oversight ensure the due performance of the Supervisory Board's duties.</li><li>Supervisory Board Members are not involved in social or profit-making activity which could lead to a conflict of interest with respect to PZU's operations, or adversely affect their reputation as a Supervisory Board Member. The rules for identifying, managing and preventing conflicts of interest concerning PZU Supervisory Board Members have been set out in the Code of Ethics for PZU Supervisory Board Members.</li><li>The PZU Supervisory Board assesses compliance with CGR, and the statement in this regard is included in the PZU Supervisory Board's annual report, made available at (<a href="https://www.pzu.pl/grupa-pzu/spolki/pzu-sa/zasady-ladu-korporacyjnego">https://www.pzu.pl/grupa-pzu/spolki/pzu-sa/zasady-ladu-korporacyjnego</a>).</li></ul>
<b>Chapter 5.</b> Remuneration policy	<ul style="list-style-type: none"><li>The rules governing the compensation for Management Board and Supervisory Board Members are laid out in the Remuneration Policy for PZU Management Board and Supervisory Board Members, adopted by the Shareholder Meeting.</li><li>The Supervisory Board prepares and presents to the Shareholder Meeting a Report on Remuneration Policy at PZU, which constitutes a part of the Supervisory Board's Report.</li><li>The compensation for Management Board Members is set by the Supervisory Board in a resolution, whereas the compensation for the Supervisory Board Members is determined directly by the Shareholder Meeting.</li><li>PZU Management Board determines the rules for remunerating PZU Group Directors who are, at the same time, Members of the Management Board at PZU Życie, as well as the remuneration policy for senior management and Entitled Persons.</li><li>The remuneration policy established is not an incentive to take excessive risk within PZU's operations. The rules governing variable compensation aim to support proper and efficient risk management, discourage excessive risk-taking, and assist in the implementation of the PZU Group's Strategy.</li><li>The award of the variable compensation to the Management Board Members depends on the achievement of management targets selected by the Supervisory Board from a list, including the improvement of economic and financial indicators, and actions of social interest, including those which makes the Company contribute to environmental protection.</li><li>The remuneration of the Management Board Members and persons exercising key positions is financed and paid out form PZU funds.</li></ul>



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Chapter	Material aspects concerning the application of Corporate Governance Rules for Regulated Institutions
<b>Chapter 6.</b> Information policy	<ul style="list-style-type: none"><li>• PZU has a transparent information policy that takes into account the needs of shareholders and customers. The PZU website publishes: The rules of PZU’s information policy towards capital market players (in the Investor Relations section) and information to support clients in their contact with PZU, including: GTCI of insurance products, rules for handling complaints, PZU Best Practices.</li><li>• Since 2014, PZU has published interactive annual reports.</li><li>• In terms of the financial information made available, in addition to the periodic reports required by law, PZU prepares quarterly result presentations, which are posted on the company’s website along with recordings of result conferences and other important corporate events.</li><li>• PZU provides investors with equal access to information, among other things: it ensures proper execution of information obligations obligatory for listed companies, all materials after being sent to the WSE via the ESPI system are published immediately in Polish and English on the PZU website in the Investor Relations section.</li><li>• PZU’s information policy with respect to capital market players specifies deadlines for responding to questions submitted by e-mail and telephone – PZU makes efforts to respond promptly, in the case of questions submitted by e-mail within a maximum of 3 working days.</li></ul>
<b>Chapter 7.</b> Promotional activities and client relations	<ul style="list-style-type: none"><li>• PZU has internal regulations, including The PZU Code of Ethics in Advertising and the PZU Group Marketing Policy, adopted by a resolution of the PZU Management Board, which cover, among other things, issues related to ensuring compliance of marketing activities with the law, in particular with the laws on competition and consumer protection and on combating unfair competition.</li><li>• The process of offering products is conducted in a way that ensures the reliability of the information provided to clients and the provision of understandable explanations.</li><li>• The process and rules for handling complaints, including issues of timeliness and quality of processing of client requests, are defined in PZU’s internal regulations. The rules for handling complaints are available on the PZU website (<a href="https://www.pzu.pl/kontakt-i-pomoc/skargi-reklamacje/jak-rozpatrujemy-skargi-reklamacje">https://www.pzu.pl/kontakt-i-pomoc/skargi-reklamacje/jak-rozpatrujemy-skargi-reklamacje</a>).</li><li>• In 2017, a Client Ombudsman position was established at PZU which, among other things, participates in mediations before the Financial Ombudsman and the KNF, and conducts individual meetings and negotiations with customers on disputes. In addition, a Health Ombudsman position was established at PZU in 2020, which, among other things, conducts individual meetings and negotiations with clients on health insurance disputes.</li></ul>

Chapter	Material aspects concerning the application of Corporate Governance Rules for Regulated Institutions
<b>Chapter 8.</b> Key internal systems and functions	<ul style="list-style-type: none"><li>• PZU has an adequate, effective and efficient internal control system covering all levels in PZU’s organizational structure.</li><li>• A Compliance Department has been separated at PZU in terms of organization and competence, which performs tasks in ensuring compliance of the insurance company’s activities with the law and internal regulations.</li><li>• An effective internal audit function operates at PZU, which involves a regular and orderly assessment of the adequacy and effectiveness of the internal control system and other components of the management system.</li><li>• PZU ensures the objectivity and independence of the internal audit and compliance functions.</li><li>• The Managing Director on Audit reports functionally to the Audit Committee and organizationally directly to the President of the PZU Management Board. The appointment and dismissal of the head of the internal audit function must be consulted with the Audit Committee. The Managing Director on Regulations, whose responsibilities include overseeing the activities of the Compliance Department, reports organizationally directly to the President of the PZU Management Board. The appointment and dismissal of the head of the compliance function requires the opinion of the Audit Committee. The head of the internal audit function and the supervisor of the compliance function attend all meetings of the Audit Committee and the Management Board, and have the opportunity to report and communicate directly with members of the Management Board and the Supervisory Board of PZU.</li><li>• PZU’s risk management system is organized adequately to the nature, scale and complexity of PZU’s business, taking into account the company’s strategic objectives, risk management strategy taking into account risk tolerance.</li><li>• The member of the Management Board responsible for the risk management area in PZU is not responsible for other areas.</li><li>• The Supervisory Board supervises the risk management process and evaluates its adequacy and effectiveness – it performs its tasks within the framework of the decisions set forth in the Articles of Association, the Rules and Regulations of the Supervisory Board and through the Audit Committee.</li><li>• The Audit Committee monitors the effectiveness of PZU’s internal control, internal audit and risk management systems.</li></ul>
<b>Chapter 9.</b> Exercise of rights from assets acquired at the client’s risk	<ul style="list-style-type: none"><li>• PZU does not offer products that involve asset management at the client’s risk.</li></ul>

The rules that PZU meets in part

Rule	Justification for partial application
<b>Chapter 2.</b> The rule laid down in § 8 section 4 of the Corporate Governance Rules reading as follows: “The supervised institution, when justified by the number of shareholders, should strive to facilitate the participation of all shareholders in the meeting of the constituent body of the supervised institution, including by providing opportunities for electronic active participation in meetings of the constituent body.”	<ul style="list-style-type: none"><li>• PZU shareholders can watch (in real time online) the broadcast of the General Meeting. PZU, however, has not decided to introduce a so-called e-Shareholder Meeting. PZU believes that there are many technical and legal factors that may affect the proper course of the Shareholder Meeting. The legal doubts pertain to the ability to identify shareholders and check the legitimacy of participants in the shareholder meeting. The risk of the occurrence of technical difficulties, e.g. with the internet connection or possible external interference in the IT systems may disrupt the work of the Shareholder Meeting and evince doubts concerning the effectiveness of the resolutions adopted during its course. The appearance of these risks may affect the proper application of this rule to a full extent.</li></ul>



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Rule	Justification for partial application
<b>Chapter 4.</b> The rule laid down in § 21 section 2 of the Corporate Governance Rules reading as follows: “In the composition of the supervising body, there should be a separate function of a chairperson who directs the work of the supervising body. The election of the chairperson of the supervising body should be based on experience and leadership skills, taking into account the criterion of independence.”	<ul style="list-style-type: none"><li>• In accordance with the Commercial Companies Code and the Articles of Association of PZU, the function of Chairperson was separated in the composition of the PZU Supervisory Board. The composition of the PZU Supervisory Board, including the function of Chairperson, is shaped in accordance with the independence criteria indicated in the Act of 11 May 2017 on auditors, audit firms and public supervision. The election of the Chairperson of the Supervisory Board is made on the basis of the criterion of their knowledge, experience and skills, which confirm the competence necessary for the proper performance of supervisory duties. The application of the independence criterion in the case of the chairperson, according to the KNF Office’s explanation of the rule in question, may raise questions about potential conflicts with the law on shareholder rights.</li></ul>
<b>Chapter 8.</b> The rule laid down in § 49 section 3 of the Corporate Governance Rules reading as follows: “In a regulated institution, the appointment and removal of the head of the internal audit function and the head of the compliance function shall be made with the approval of the supervising body or the Audit Committee.”	<ul style="list-style-type: none"><li>• PZU applies the rules set forth in § 14 of the Corporate Governance Rules in full, which means that PZU’s Management Board is the only body authorized and responsible for managing the company’s operations. In addition, according to labor law, labor law activities are performed by the managing body. In view of the above, a solution has been adopted in PZU, which stipulates that the selection and dismissal of the head of the internal audit function is made taking into account the opinion of the Audit Committee of the Supervisory Board. The head of the compliance function is appointed and dismissed in the same way. The Management Board consults with the Audit Committee on these decisions.</li></ul>

Rules waived by PZU AGM

Rule	Justification for waiving the rule
<b>Chapter 2.</b> The rule laid down in § 10 section 2 of the Corporate Governance Rules reading as follows: “The implementation of personal rights or other special rights for shareholders of the regulated institution should be justified and serve the accomplishment of the regulated institution’s material operating goals. The possession of such rights by shareholders should be reflected in the wording of the primary governing document of the regulated institution.”	<ul style="list-style-type: none"><li>• According to the substantiation presented by the shareholder along with the draft resolution of the OSM, the waiving of this rule is due to the unfinished process of the company’s privatization by the State Treasury; In practice, in accordance with the generally applicable law, including the Commercial Companies Code, all shareholder rights are reflected in the Articles of Association and are always justified – an example is § 20 section 7 of the Articles of Association, which grants the State Treasury the right to appoint and remove one member of the Supervisory Board. Leaving such a power to the State Treasury was justified during the period of the company’s privatization, with the Articles of Association stating that this power will expire when the Treasury ceases to be a shareholder of the company.</li></ul>
<b>Chapter 2.</b> The rule laid down in § 12 section 1 of the Corporate Governance Rules reading as follows: “Shareholders are responsible for recapitalizing without delay a regulated institution in a situation in which it is necessary to maintain the regulated institution’s equity at the level required by the legal regulations or oversight regulations as well as when the security of the regulated institution so requires.”	<ul style="list-style-type: none"><li>• According to the substantiation presented by the shareholder along with the draft resolution of the OSM, the waiving of this rule is due to the unfinished process of the company’s privatization by the State Treasury; The decision to apply this rule should be made by the company’s shareholders, taking into account the provisions of generally applicable law, in particular Article 301 § 4 and 5 of the Commercial Companies Code, according to which shareholders are only obliged to provide the services specified in the Articles of Association and are not liable for the company’s obligations.</li></ul>
<b>Chapter 5.</b> The rule laid down in § 28 section 4 of the Corporate Governance Rules reading as follows: “The decision-making body assesses whether the implemented compensation policy fosters the regulated institution’s development and operating security.”	<ul style="list-style-type: none"><li>• According to the justification provided by a shareholder with the draft resolution, the waiver of the rule is dictated by the overly broad subjective scope of the remuneration policy subject to review by the constituent body. The remuneration policy for persons in key positions who are not members of the supervising and management bodies is subject to the evaluation of their employer or principal, which is the company represented by the Management Board and controlled by the Supervisory Board. Notwithstanding the above, in accordance with Article 90g of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments</li></ul>

Rule	Justification for waiving the rule
	to Organized Trading and Public Companies, the Supervisory Board is required to prepare an annual report on the remuneration of members of the Management Board and the Supervisory Board, and the General Meeting shall adopt a resolution to give its opinion on the report. The remuneration policy for members of the PZU Management and Supervisory Boards, adopted by the General Meeting Resolution No. 36/2020 of 26 May 2020, is reviewed by the Management Board once a year, and a report determining the status of the Policy’s implementation and recommendations for changes to the Policy, if necessary, is presented to the Supervisory Board. In addition, a commitment to adopt a General Meeting resolution on the Policy at least every four years was introduced.

Rules whose fulfillment does not apply to PZU

Rule	Uzasadnienie
<b>Chapter 2.</b> The rule laid down in § 11 section 3 of the Corporate Governance Rules reading as follows: “In the event that the decision-making body makes a decision concerning a transaction with a related party, all shareholders should have access to all information required to assess the conditions on which it is implemented and its impact on a regulated institution’s standing.”	<ul style="list-style-type: none"><li>• At PZU, the Shareholder Meeting does not make decisions on transactions with related parties.</li></ul>
<b>Chapter 8.</b> The rule laid down in § 49 section 4 of the Corporate Governance Rules reading as follows: “In a regulated institution in which there is no audit or compliance cell, the rights ensuing from sections 1-3 are vested in the persons responsible for performing these functions.”	<ul style="list-style-type: none"><li>• Audit and compliance functions operate at PZU.</li></ul>
<b>Chapter 8.</b> The rule laid down in § 52 section 2 of the Corporate Governance Rules reading as follows: “In a regulated institution in which there is no audit or compliance cell or no cell responsible for this area has been designated, the information referred to in section 1 shall be conveyed by the persons responsible for performing these functions.”	<ul style="list-style-type: none"><li>• Audit and compliance functions operate at PZU.</li></ul>
<b>Chapter 9.</b> Exercise of rights from assets acquired at the client’s risk	<ul style="list-style-type: none"><li>• PZU does not offer products that involve asset management at the client’s risk.</li></ul>

Information on the status of application of the Corporate Governance Rules for Regulated Institutions is available on PZU’s website: <https://www.pzu.pl/grupa-pzu/spolki/pzu-sa/zasady-ladu-korporacyjnego>.





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8.2. Financial statements control system

The PZU Group has an internal control system, which, together with the risk management system (CH. 6. Risk management), is an important component of the Group’s management system.

Purpose and organization of the internal control system

PZU has an internal control system (ICS) in place, adjusted to the scale of its operations and its organizational structure. Its purpose is to ensure the effectiveness and efficiency of operations within the organization, reliability of financial reporting and compliance of the Company’s operations with the applicable laws and internal regulations.

The ICS comprises supervision, overall administrative and accounting procedures, organizational structures, reporting systems, solutions implemented in IT systems, the compliance function and other control mechanisms contributing to the security and stability of the company’s operations by ensuring:

- efficiency and effectiveness of the operating activity;
- reliability of information communicated inside and outside the company and assurance of availability and reliability of such information, in particular pertaining to financial statements;
- adequacy and effectiveness of risk controls (control operations should be commensurate with the level of risk involved in the operations and processes under control);
- responsible and transparent management of the company;
- compliance of the Company’s activity with internal regulations and the standards of conduct adopted by the Company.

The following elements are distinguished within the ICS:

- control function aiming at ensuring compliance with control mechanisms concerning, in particular, risk management in the company;
- independent compliance cell (Compliance Department – BCM) whose purpose is to execute the compliance function and to ensure systemic solutions with regard to efficiency and effectiveness of the ICS;
- independent internal audit cell (Internal Audit Department – BAW) whose purpose is to carry out independent and objective assessment and evaluation of adequacy and effectiveness of the internal control system and other elements of the system of governance.

The ICS is built on the basis of the said elements and is based on a model of three independent and complementary levels, i.e., three lines of defense, where:

- the first line of defense is comprised of activities of business processes owners, encompassing the operational management of risk associated with the Company’s operations and processes carried out as part of those operations;
- the second line of defense is comprised of activities of the Compliance Department and risk management by other specialized business units specified in internal regulations on risk management and dealing with risk identification, measurement, monitoring and reporting and controlling the limits;
- the third line of defense is provided by activities of the Internal Audit Department.

Supervision over the internal control system within the Company is exercised by:

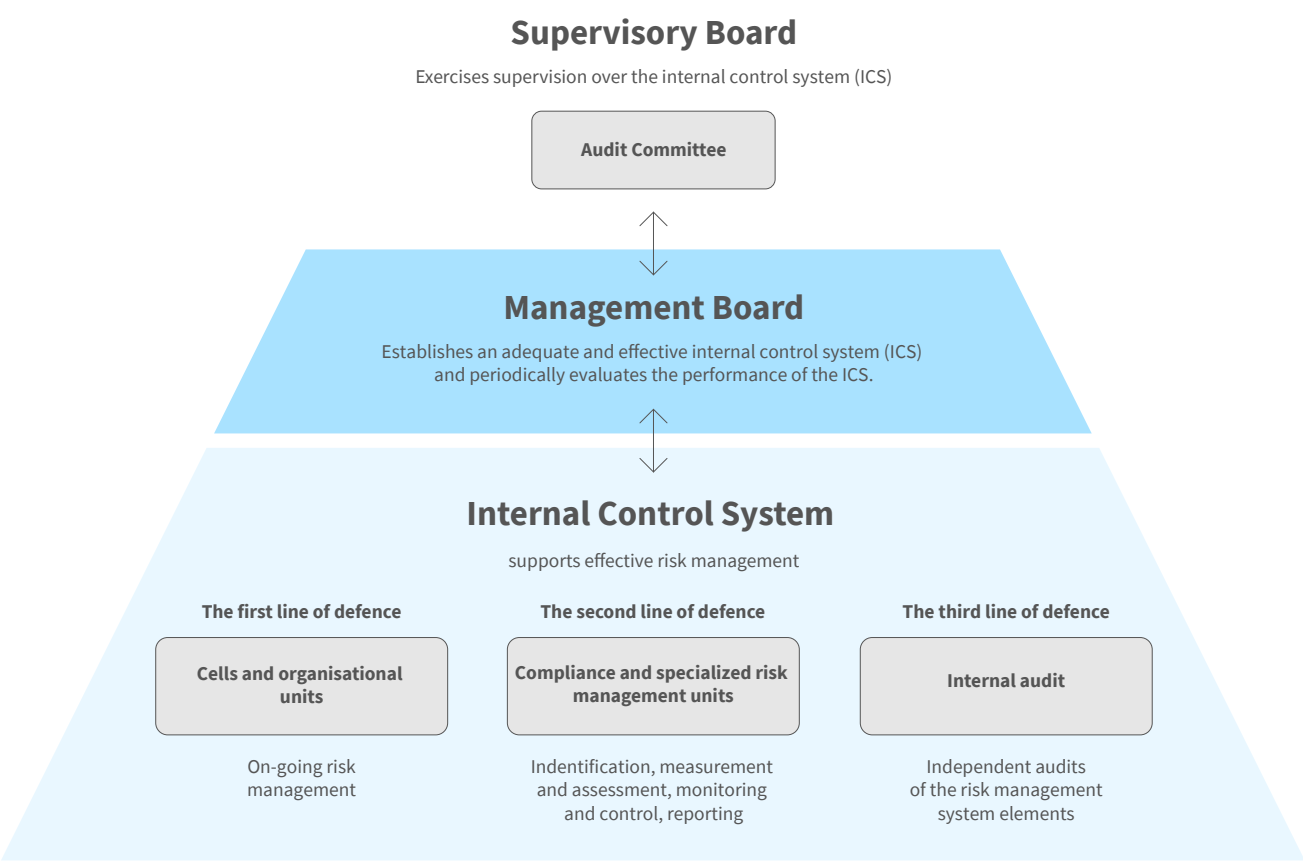
- oversight exercised by the Supervisory Board;
- activities of the Management Board, including the establishment of an adequate and effective internal control system and periodic assessment of the functioning of the ICS;
- oversight exercised by the managers of divisions and functions, and organizational units in their subordinated organizational functions/units;
- oversight exercised by the Compliance Department in the area of system solutions aimed at ensuring adequacy and effectiveness of risk control in the business processes covered by the ICS.

The head of the respective organizational division/function/unit is responsible for the deployment of an effective Internal Control System in the supervised area of the Companies’ activity, in particular for designing and ensuring efficient operation of control actions as integral components of operating processes.

The PZU Group’s internal control system has been developed at the leading entity (i.e. PZU) level and is applicable to all members of the PZU Group, in consideration of their distinct nature, proportionality and adequacy. With regard to regulated entities existing within banking groups, the internal control system has been designed at the level of each of these groups, taking into account the applicable sectoral regulations.

As part of its cooperation with PZU Group entities, PZU analyzes information that it receives regularly from these entities concerning the organization of the internal control system, internal control conducted and evaluation of the

Diagram of the organization of the internal control system



internal control system, in order to improve unified standards for the operation of an effective internal control system.

Compliance

One component of PZU’s internal control system is the compliance function, which is overseen by the Managing Director on Regulations, to whom the Compliance Department reports. The selection, appointment and dismissal of the person managing the compliance unit must be consulted with the Audit Committee. The Managing Director on Regulations and Director of the Compliance Department have direct access to PZU’s Management Board Members and PZU’s Supervisory Board Members, and representatives of the Compliance Department participate in meetings of selected committees established within the company’s structure.

Internal audit

The internal audit function is run in a manner ensuring its unbiased nature and independence from operational functions, and its purpose is to add value and enhance the PZU Group’s operational performance. The activity of the audit

function involves a regular and orderly assessment of the adequacy and effectiveness of the internal control system and other components of the management system. The internal audit function supports the PZU Group in the pursuit of its objectives by providing – also through consulting – certainty as to the effectiveness of these processes.

The duties of the internal audit function comprise in particular:

- establishment, implementation and maintenance of an audit plan, which defines the scope of audit work to be undertaken in subsequent years, with regard to all types of activity and the Company’s overall system of management;
- making recommendations on the basis of the findings collected in the course of work according to the audit plan;
- checks of execution of the corrective measures following from the recommendations made.

The audit plan is prepared on the basis of an annual risk identification and assessment conducted across all areas of



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PZU's business. A draft plan is presented for evaluation by the Audit Committee and then approval by the Management Board.

The timely implementation of audit recommendations by the business units is overseen by the responsible member of the Management Board or PZU Group Director. The Internal Audit Department monitors the progress of implementing the recommendations based on information obtained from the respective business units. After an analysis, it decides whether to consider them completed.

The following adopted principles guarantee the independence and impartiality of internal audit:

- The Managing Director on Audit, who heads the Internal Audit Department, reports functionally to the Audit Committee and organizationally directly to the Management Board President;
- the election and dismissal of the head of the internal audit function must be consulted with the Audit Committee;
- The Managing Director on Audit participates in meetings of the Audit Committee and meetings of the Management Board, and representatives of the Internal Audit Department take part in meetings of selected committees operating within PZU's structure;
- PZU's internal auditors demonstrate outstanding professional and ethical qualifications and possess the proper knowledge and skills, including the knowledge of issues necessary to conduct audits. They have access to the necessary information, explanations, documents and data, allowing for the timely and correct performance of their tasks;
- the scope of audit activities performed during each audit and the resulting evaluations are autonomous decisions of internal audit. The tasks are allocated in such a manner so as to prevent potential and actual conflicts of interest. Each employee, before starting a task, is obliged to inform the supervisor in case of a potential conflict of interest – assigned tasks are rotated as necessary. In addition, no auditor may, before one year has elapsed, evaluate activities that they themselves previously performed or managed. They also cannot assume responsibility for operational activities that are subject to internal audit review.

PZU has implemented the Internal Auditor's Code of Ethics, based on guidelines issued by the Institute of Internal Auditors (IIA). The purpose of the Code is to promote best practices and models for ethical behavior, and to motivate the need for continuous professional improvement and development of the proper image of internal auditors.

The Internal Audit Department provides the Company's Management Board and Audit Committee with periodic

management information from its subordinate area, including, in particular:

- information on the progress in implementing the audit plan;
- information on the findings of internal audits;
- information on recommendation monitoring results.

In order to ensure the proper quality and continuous improvement of the internal audit function, internal (on an annual basis) and external (not less than once every five years) assessments of the Company's internal audit activities are conducted. A third-party assessment of the internal audit function at PZU conducted by PwC Advisory and an analysis of coordination of the Group's internal audit run by the Internal Audit Department demonstrated general compliance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics developed by the IIA.

### Control mechanisms applied during the preparation of the financial statements

The process of preparing financial statements is carried out by offices within the Finance Division and other offices in accordance with their responsibilities. The Finance Division is supervised by a Management Board Member, and the financial statements require approval by the Management Board.

The process is conducted in compliance with:

- accounting principles (accounting policy) adopted by the Management Board;
- chart of accounts with a commentary;
- other detailed internal regulations approved by the PZU Management Board specifying key rules for recording business events in PZU, the valuation of assets and liabilities and the calculation of the financial result;
- method of keeping the accounting ledgers;
- dedicated reporting systems.

Data are prepared in the source systems using formal operating and acceptance procedures which specify the powers of specific persons.

The reporting process is carried out by qualified, skilled and experienced staff.

PZU monitors changes in external regulations concerning, without limitation, the accounting policy and reporting requirements applicable to insurers and carries out appropriate adaptation processes in these areas. The accounting records are closed and financial statements are prepared in accordance with schedules, including the key activities and control points with assigned liability for timely and correct completion.

The key controls during preparation of the financial statements include:

- controls and permanent monitoring of the quality of input data, supported by financial systems with defined rules of data correctness, in accordance with PZU's internal regulations governing the control of accuracy of accounting data;
- data mapping from the source systems to financial statements supporting the proper presentation of data;
- analytical review of financial statements by specialists to compare them with the business knowledge and business transactions;
- formal review of the financial statements to confirm compliance with the applicable legal regulations and market practice in terms of required disclosures.

Coordination of activities with regard to consolidated financial reporting processes at PZU and PZU Life is made possible by the Finance Division's organizational structure common to these companies, based on the principle of personal union. PZU controls all its consolidated subsidiaries through these companies' management boards and supervisory boards.

The consolidated financial reporting process is governed by a number of internal acts defining the principles of accounting policy adopted by the PZU Group and accounting standards. Moreover, it is subject to detailed schedules including the key activities and control points with assigned liability for timely and correct completion.

Consolidation packages forwarded by subsidiaries are subjected to:

- verification procedures by a statutory auditor scrutinizing the PZU Group's consolidated financial statements;
- analytical reviews by specialists.

Consolidation packages forwarded by banks are also reconciled with their published stock exchange disclosures.

The organization and the process of preparing the financial statements are regularly reviewed by the internal audit function.

### Audit Committee

The appointment of the Audit Committee has served the purpose of increasing the effectiveness of supervisory activities performed by the Supervisory Board with regard to the monitoring of financial reporting processes.

The Committee's tasks associated with monitoring the financial reporting process and the provision of advisory and evaluation services include, in particular:

- tentative evaluation of the Management Board's report on the activity of PZU and PZU's annual financial statements;
- tentative evaluation of the Management Board's report on the activity of the PZU Group and the annual consolidated financial statements of the PZU Group;
- tentative evaluation of all financial documents submitted to the Supervisory Board, in particular an annual financial plan prepared by the Management Board and a report on its implementation;
- issuing opinions on the core principles of the financial reporting and accounting system in place in the Company (including the criteria for consolidation of results of individual entities from the PZU Group);
- providing the Supervisory Board with conclusions and recommendations concerning the rationale for any modification of the financial reporting system in place at PZU and the PZU Group and informing the Supervisory Board about significant irregularities in such system or risks associated with its organization and operation, known to the Committee.

The Audit Committee presents recommendations regarding the selection of an audit firm to perform the audit and review of the financial statements to the Supervisory Board.

A statutory auditor appointed by the PZU Supervisory Board upon a recommendation of the Audit Committee, reviews interim standalone and consolidated financial statements, audits annual standalone and consolidated financial statements and annual solvency and financial condition reports required by the Solvency II Directive (for PZU and the PZU Group).

### 8.3. Audit firm auditing the financial statements

On 23 May 2019, KNF gave a permit to PZU to extend for another two years the maximum period for the engagement for KPMG Audyt to audit the standalone and consolidated financial statements. In this manner, the Supervisory Board made the decision to continue cooperation with the auditor to audit the 2019-2020 financial statements.

The scope of the concluded agreement encompasses the following in particular:

- auditing PZU's annual standalone financial statements and the PZU Group's annual consolidated financial statements;
- reviewing PZU's interim standalone financial statements and the PZU Group's interim consolidated financial statements.

The Act of 31 March 2020 Amending the Act on Special Solutions Associated with Preventing, Counteracting and Combating

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COVID-19, Other Infectious Diseases and Crises Caused by Them and Certain Other Acts (known as the Special Act) repealed the provision of the Act on Statutory Auditors according to which “the maximum permissible uninterrupted duration of the statutory audit engagements referred to in Article 17(1) second paragraph of Regulation No 537/2014, performed by the same audit firm or an audit firm associated with this audit firm or any member of a network operating in the European Union states of which these firms are members may not exceed 5 years.” The Special Act introduced similar amendments to the Accounting Act.

As a consequence, the maximum permissible uninterrupted duration of the statutory audit engagements for an audit firm will be a period of 10 years, as specified in Article 17(1) second paragraph of Regulation (EU) No 537/2014 of the European Parliament and of the Council.

On this basis, the Supervisory Board decided to renew, for 2021-2022, with an option to extend until 2023, and subsequently to exercise the option and extend until 2023 the orders for KPMG Audyt to review and audit the standalone financial statements of PZU and the consolidated financial statements of the PZU Group. The recommendation on the selection of an audit firm to conduct the audit satisfied the applicable terms.

The existing cooperation with KPMG Audyt in reviewing and auditing PZU's standalone financial statements and the PZU

Group's consolidated financial statements has continued uninterrupted since 2014.

In 2022, the audit firm auditing the financial statements rendered permitted non-audit services to PZU, which was approved, following an assessment of the company’s independence, by the Audit Committee.

In recent years, PZU’s additional cooperation with KPMG Audyt has covered, without limitation, audits of solvency and financial standing reports required by the Solvency II Directive.

Main assumptions underlying the policy for selecting the audit firm

The following are among the main assumptions underlying PZU’s policy for selecting the audit firm:

- ensuring that the process of selecting the audit firm is done correctly and determining the responsibility and the duties of the participants in this process,
- analyzing when selecting the audit firm the recommendations given by the Audit Committee,
- giving consideration to the rule of rotating the audit firm and the key statutory auditor in the embraced time horizon.

The main objectives of the policy for the provision of permitted non-audit services by the audit firm conducting the statutory audit, its related entities and by a member of the audit firm’s network were as follows:

- ensuring correctness in the process of procuring permitted services;
- determining the responsibility and the duties of the participants in this process,
- defining the catalogue of permitted services,
- establishing the procedure for procuring permitted services.

On 24 August 2022, the Supervisory Board passed a resolution on the selection of PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k. as the audit firm to conduct audits and reviews of financial statements and audits of reports on the solvency and financial condition of PZU and the PZU Group for the five fiscal years 2024–2028, with an option to extend the contract for two more fiscal years 2029–2030.

The work referred to above will be performed for five consecutive fiscal years ending 31 December 2024, 31 December 2025, 31 December 2026, 31 December 2027, 31 December 2028, respectively, with an option to extend for two consecutive years ending 31 December 2029 and 31 December 2030. The Supervisory Board decided to select PwC as the auditing firm for the audit of the financial

statements in accordance with applicable regulations and professional standards.

8.4. Shareholders and issuer's securities

PZU’s shares

PZU’s share capital is divided into 863,523,000 ordinary shares with a nominal value of PLN 0.10 each giving the right to 863,523,000 votes at the Shareholder Meeting<sup>1</sup>.

As at 31 December 2022, PZU shareholders holding significant equity stakes (at least 5%) were:

- The State Treasury of the Republic of Poland that holds 295,217,300 shares constituting 34.19% of PZU's share capital and giving it the right to 295,217,300 votes at the Shareholder Meeting;
- Nationale-Nederlanden Otwarty Fundusz Emerytalny (Open-ended Pension Fund) that held 49,223,000 shares at PZU’s Extraordinary Shareholder Meeting held on 1 September 2022, constituting 5.70% of PZU’s share capital and giving it 49,223,000 votes at the Shareholder Meeting.

On 5 January 2023, PZU received a notification from Powszechne Towarzystwo Emerytalne Allianz Polska S.A. regarding an increase in the share of PZU's share capital and

Fee payable to the audit firm

Fee payable to the audit firm auditing PZU’s financial statements (PLN 000s)	1 January – 31 December 2021	1 January – 31 December 2022
mandatory audit of annual financial statements/consolidated financial statements	994	1,476
other assurance services, including review of financial statements/consolidated financial statements	988	1,220
tax consulting services	-	
other services	-	
<b>Total</b>	<b>1,982</b>	<b>2,696</b>

Fee payable to the entity authorized to audit the PZU Group’s financial statements (PLN 000s)	1 January – 31 December 2021	1 January – 31 December 2022
audit of financial statements	9,345	10,331
other assurance services	5,718	5,992
<b>Total</b>	<b>15,063</b>	<b>16,323</b>

Shareholders holding significant equity stakes	Number of shares and votes at the Shareholder Meeting			Shares in the share capital and in the total number of votes at the Shareholder Meeting		
	31 December 2021	31 December 2022	5 January 2023	31 December 2021	31 December 2022	5 January 2023
State Treasury	295,217,300	295,217,300	295,217,300	34.19%	34.19%	34.19%
Nationale-Nederlanden OFE		49,223,000	49,223,000		5.70%	5.70%
Nationale-Nederlanden OFE, Nationale-Nederlanden DFE	45,167,000			5.23%		
Allianz OFE, Allianz DFE and Drugi Allianz OFE*			48,183,212			5.58%
Others	523,138,700	519,082,700	470,899,488	60.58%	60.11%	54.53%
<b>Total</b>	<b>863,523,000</b>	<b>863,523,000</b>	<b>863,523,000</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

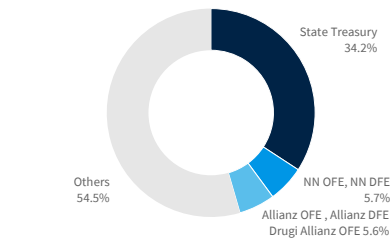
1) On 30 June 2015, PZU’s Ordinary Shareholder Meeting adopted a resolution to split all PZU shares by decreasing the nominal value of each PZU share from PLN 1 to PLN 0.10 and increasing the number of PZU shares making up the share capital from 86,352,300 to 863,523,000 shares. The split was effected by exchanging all the shares at a ratio of 1:10 and did not affect the amount of PZU's share capital. On 3 November 2015, the District Court for the Capital City of Warsaw, 12th Commercial Division of the National Court Register registered the pertinent amendment to PZU's Articles of Association. On 24 November 2015, the Management Board of the National Depository for Securities (Krajowy Depozyt Papierów Wartościowych, “KDPW”) adopted Resolution No. 789/15 on setting 30 November 2015 as the date for splitting 86,348,289 PZU shares with a nominal value of PLN 1 each into 863,482,890 PZU shares with a nominal value of PLN 0.10 each.





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PZU’s shareholder structure as at 5 January 2023



Source: Current reports 1/2023, 25/2022

total number of votes above 5% in total by funds managed by PTE Allianz Polska S.A., i.e. Allianz Polska Otwarty Fundusz Emerytalny (Open-ended Pension Fund), Allianz Polska Dobrowolny Fundusz Emerytalny (Voluntary Pension Fund) and Drugi Allianz Polska Otwarty Fundusz Emerytalny. According to the notification, Allianz OFE, Allianz DFE and Second Allianz OFE, managed by PTE Allianz Polska S.A., hold a total of 48,183,212 PZU's shares, representing 5.58% of the Company's share capital, which gives the right to exercise 48,183,212 votes attached to PZU's shares representing 5.58% of the total number of votes at PZU's Shareholder Meeting.

PZU’s bonds

As at 31 December 2022, PZU held subordinated bonds (ISIN PLPZU0000037) worth PLN 2.25 billion, bearing interest at WIBOR6M + 180 bps, issued on 30 June 2017. The maturity date for these bonds is 29 July 2027, or 10 years after issue with an early redemption option 5 years after the issue date. The bonds are listed on the Catalyst ASO WSE/Bondspot.

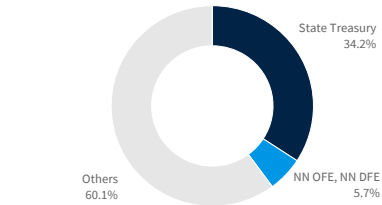
In 1H 2022, the PZU Management Board analyzed options of new issued of subordinated bonds of up to PLN 3 billion and early redemption of this bond series of PLN 2.25 billion. Due to unfavorable market conditions, on 31 May 2022, the PZU Management Board announced its decision to quit any such further works (current report no. 11/2022).

Entitlements and restrictions on PZU shares

All PZU shares are ordinary shares with no preferential rights attached to them, in particular no special control rights. Each share carries the right to one vote at the Shareholder Meeting and the same right to dividends.

However, PZU's Articles of Association limit voting rights on PZU shares in certain cases. The shareholders’ voting rights is limited in such a manner that no shareholder may exercise

PZU’s shareholder structure as at 31 December 2022



Source: Current report 25/2022

more than 10% of the total number of votes in existence in PZU at its Shareholder Meeting on the date of holding a Shareholder Meeting subject to the reservation that for the purposes of determining the obligations of the buyers of significant equity stakes contemplated by the Act on Public Offerings and the Insurance and Reinsurance Activity Act, such limitation of voting rights shall be deemed not to exist. The restriction on voting rights does not apply to the following:

- shareholders who on the date of adopting the Shareholder Meeting resolution implementing this limitation were entitled to shares representing more than 10% of the total number of votes (i.e. the State Treasury);
- shareholders acting with the shareholders specified in the item above pursuant to executed agreements pertaining to jointly exercising the voting rights attached to shares.

For the purpose of limiting voting rights, the votes of shareholders among whom there is a parent or subsidiary relationship are totaled in accordance with the rules described in the Articles of Association. The aforementioned restrictions on shareholders' voting rights will expire as soon as the State Treasury's stake in PZU's share capital falls below 5%.

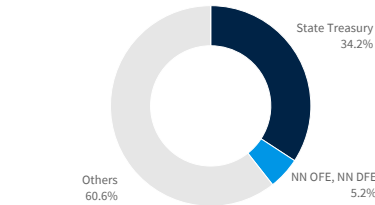
In addition, the Articles of Association grant certain powers to the State Treasury as a shareholder of PZU to appoint Members of the Supervisory Board, which are described in CH.

8.7. Supervisory Board.

The PZU Management Board does not have information about executed agreements as a result of which changes may transpire in the future in the equity stakes held by its shareholders and bondholders to date.

PZU did not issue, redeem or repay any debt or equity securities and did not issue any securities that would provide its shareholders with special control rights.

PZU’s shareholder structure as at 31 December 2021



Source: Current report 25/2021

In 2013–2022, PZU did not have any employee stock programs in place.

Limitations on transferring the title to the issuer’s securities

The PZU Articles of Association contain no provisions restricting the transfer of the title to the issuer’s securities. Nor are there any other known limitations arising from documents other than the Articles of Association that would be applicable in this context, except for limitations resulting from generally applicable laws in precisely defined situations, in particular:

- limitations resulting from the provisions of the Act of 29 July 2005 on Public Offerings and the Conditions for Offering Financial Instruments in an Organized Trading System and on Public Companies (Journal of Laws of 2022, item 2554, as amended), namely:
  - from Article 75(4) – shares encumbered with a pledge, until the date of its expiration, may not be traded, except in a situation where the acquisition of such shares takes place in the performance of an agreement on the establishment of financial security within the meaning of the Act of 2 April 2004 on Certain Forms of Financial Security,
  - from Article 88a – temporary limitations on the direct or indirect acquisition of or subscription for shares in a public company by an entity required to perform the obligations specified in Article 73(1) of the Act or Article 74(2) and (5) of the Act, which in the company in question exceeded the threshold of the total number of votes specified in these regulations – until the date of fulfillment of such obligations;
- limitations arising from Article 362 of the Commercial Company Code, regarding the prohibition of the acquisition of treasury shares by the issuer, except for the cases specified therein and limitations on the acquisition of the parent company’s treasury shares by a subsidiary company or a subsidiary cooperative and persons acting on their behalf;
- limitations pertaining to the closed period referred to in Article 19 of the Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (MAR) and insider dealing within the meaning of the provisions of MAR;
- possible objection by the regulatory authority, in the form of a decision, to the acquisition of or subscription for

shares or rights attaching to shares in a domestic insurance undertaking in a quantity ensuring the achievement or exceeding of, as the case may be, one-tenth, one-fifth, one-third, one-second of the total number of votes at the Shareholder Meeting or of a stake in share capital – in accordance with Article 90(1) of the Act of 11 September 2015 on Insurance and Reinsurance Activity (Journal of Laws of 2022, item 2283, 2640), if:

- a) the entity submitting the notification referred to in Article 82(1) failed to remove the deficiencies in its notification or in the documents or information attached to the notification within the prescribed time limit,
- b) the entity submitting the notification referred to in Article 82(1) failed to provide additional information or documents required by the regulatory authority within the prescribed time limit,
- c) it is justified by the need of prudent and stable management of the domestic insurance undertaking due to a possible impact of the entity submitting the notification referred to in Article 82(1) on the domestic insurance undertaking or due to the assessment of the financial standing of the entity submitting the notification;
- possible setting of a time limit for the acquisition of or subscription for shares or rights attaching to shares, by the regulatory authority, in accordance with Article 90(4) and (5) of the Act referred to in item 4, in a decision declaring the absence of grounds for filing an objection;
- possible issuance by the regulatory authority, in accordance with Article 98(5) of the Act referred to in item 4, of a decision requiring the disposal of shares within the prescribed time limit in the event that the authority issues a decision prohibiting the exercise of voting rights attaching to shares in a domestic insurance company for the reasons specified in Article 98(1) of this Act;
- prohibition to sell shares or rights attaching to shares held by the State Treasury under Article 13(1)(27) of the Act of 16 December 2016 on Rules for Managing State Property (Journal of Laws of 2021, item 1933); with the exclusion referred to in Article 13(2)(1) of this Act.

Shares or rights to shares held by members of management or supervisory bodies and PZU Group Directors

As at the date of conveying this Management Board Activity Report, only Tomasz Kulik, Member of the PZU Management Board, held 2,847 PZU shares, which the company reported in current report no. 23/2018. No changes have transpired since the date of conveying the 2021 consolidated financial statements (i.e. 24 March 2022) with respect to Members of the Management Board and Supervisory Board or PZU Group Directors holding PZU shares or rights to shares.



# 8. Corporate governance statement

## 8.5. Rules for amending the Articles of Association

PZU's Articles of Association may be amended by the Shareholder Meeting provided that a resolution is adopted by a majority of three fourths of the votes, the Polish Financial Supervision Authority's approval is issued in the cases referred to in the Insurance and Reinsurance Activity Act and the amendments are entered in the National Court Register.

The Supervisory Board has the powers to approve the consolidated amended text.

PZU as a public company is obliged to inform the market about any amendments to the Articles of Association, adoption of the unified text, etc. in an appropriate current report.

### Amendments to the PZU's Articles of Association in 2022

Pursuant to resolution no. 44/2022 of the PZU's Ordinary Shareholder Meeting dated 29 June 2022, the following amendments were made to the PZU's Articles of Association to bring its provisions in line with rule 2.11 of the Best Practices of WSE Listed Companies 2021:

- The powers of the Shareholder Meeting include, among other things, adopting resolutions on the consideration and approval of the annual written report of the Supervisory Board for the past financial year;
- The competencies of the Supervisory Board include, among others, submitting to the Shareholder Meeting an annual written report of the Supervisory Board for the past financial year, taking into account in particular the results of the evaluation of the Management Board's report on the PZU's activity and the Management Board's report on the PZU Group's activity, as well as the financial statements of PZU and the consolidated financial statements of the PZU Group for the past financial year in terms of their compliance with the accounting ledgers and documents, as well as the facts, and evaluating the Management Board's motions regarding profit distribution or loss coverage.

The amendments to PZU's Articles of Association became effective on 27 September 2022, the day they were entered in the Register of commercial undertakings of the National Court Register.

With the amendments, PZU's Supervisory Board will prepare a single report, which will include the elements specified in the Best Practices of WSE Listed Companies 2021 and Article 382 § 3(1) of the Commercial Company Code.

## 8.6. Shareholder Meeting

### Powers and method of operation of the Shareholder Meeting

The Shareholder Meeting is PZU's highest corporate body. The powers of the Shareholder Meeting, the manner of convening and the rules of participation in the Shareholder Meeting are set forth in the Commercial Company Code, the PZU's Articles of Association of and the Regulations of the Shareholder Meeting. The contents of the Articles of Association and the Regulations are published on PZU's website in the Investors relations section at: <https://www.pzu.pl/en/investor-relations/about-the-group/corporate-governance>.

A Shareholder Meeting is held:

- As an Ordinary Shareholder Meeting which should be held within six months from the end of each financial year;
- As an Extraordinary Shareholder Meeting which is convened in cases specified in the generally applicable law and the Articles of Association.

The Shareholder Meeting is convened by the Management Board. The Supervisory Board may convene a Shareholder Meeting, including under the ordinary procedure if the Management Board fails to convene it within the statutory period, and under the extraordinary procedure if it deems it advisable. In cases specified in the Commercial Company Code, the right to convene an Extraordinary Shareholder Meeting or to request its convening is also vested in shareholders.

A duly convened Shareholder Meeting is deemed valid regardless of the number of attending shareholders.

The Shareholder Meeting is the body authorized to make decisions concerning issues related to the organization and operations of PZU. The powers of the Shareholder Meeting, in addition to those specified in the Commercial Company Code or the Articles of Association, include the adoption of resolutions concerning, among other things, the following:

- distribution of profits or coverage of losses;
- appointment and dismissal of Supervisory Board Members, subject to the personal right granted to the State Treasury to appoint and dismiss one Supervisory Board Member;
- establishing the rules for remunerating Supervisory Board Members;
- determining the rules for setting the compensation of the Management Board Members;
- examination and approval of the Management Board's report on the PZU's activity and the Management Board's report on the activity of the PZU Group and the PZU's

financial statements and consolidated financial statements of the PZU Group for the previous financial year and granting a discharge to individual Members of the PZU's corporate bodies on the performance of their duties;

- review of the Management Board's report on representation expenditures and expenditures for legal, marketing, public relations and public communication services and management consulting services;
- issuing an opinion on the report on compensation for Management Board and Supervisory Board Members;
- establishing reserve capital accounts and making decisions on their allocation or manner of allocation;
- acquisition or disposal by PZU of real property, perpetual usufruct or share in a real property or perpetual usufruct with a value exceeding the equivalent of the gross amount of EUR 30,000,000;
- redemption of shares;
- issue of bonds;

Resolutions of the Shareholder Meeting are adopted by an absolute majority of votes, except in cases provided for in the Commercial Company Code or the Articles of Association. Shareholder Meeting resolutions concerning, among other things, amendments to the Articles of Association or reduction in the share capital, require a three-fourths majority of votes. A majority of 90% of votes at the Shareholder Meeting is required to pass resolutions relating to, among other things, preference shares, liquidation, transformation or reduction in the share capital through the redemption of a portion of shares without a concurrent capital increase.

Resolutions are passed in an open ballot. A secret ballot is ordered in elections or on motions to dismiss Members of PZU bodies, in matters concerning their personal liability as well as in other personal matters or, excluding cases when voting by open ballot ensues from a statute, at the request of at least one of the shareholders attending or represented at the Shareholder Meeting.

Shareholder Meetings are held in Warsaw and convened by placing an announcement on PZU's website in accordance with the method for providing current information. Such announcement is made not later than 26 days before the date of the Shareholder Meeting. The announcement and materials presented to shareholders (e.g. draft resolutions with justifications) are available on the date of convening the Shareholder Meeting on PZU's corporate website in the Investors relations section under the Shareholder Meeting tab (<https://www.pzu.pl/en/investor-relations/shares-and-bonds>).

All the matters submitted by the Management Board to the Shareholder Meeting should be first presented to the Supervisory Board to be examined and get an opinion. The Supervisory Board's opinions are presented to the

Shareholder Meeting no later than prior to the opening of the shareholder meeting along with other documents conveyed to the shareholders participating in the Shareholder Meeting and are available on the PZU's website in the Investors relations section under the Shareholder Meeting tab.

The Shareholder Meeting may order breaks (longer than procedural ones) by a two-thirds majority vote. In total, breaks cannot last more than 30 days.

The course of the Shareholder Meeting is broadcast live over the Internet, and a transcript of the broadcast is posted on the PZU website. Information on the planned broadcast, along with the address of the website, is provided in advance on the PZU website.

PZU also allows representatives of the media (press, radio, television) to be present at the Shareholder Meeting.

### Shareholders' rights

Shareholder rights and the method of exercising them at the PZU's Shareholder Meeting are specified in the Commercial Company Code and the PZU's Articles of Association.

A shareholder's basic right is the right to participate in profit and the right to attend the Shareholder Meeting and exercise voting rights.

Only persons who are shareholders of PZU on the registration date, i.e. 16 days before the date of the Shareholder Meeting, have the right to participate in the Shareholder Meeting of PZU. Shareholders may attend the Shareholder Meeting and exercise the right to vote in person or through a proxy. A legal proxy document to participate in the Shareholder Meeting and exercise the voting right must be granted in writing or electronically.

One share of PZU gives the right to one vote. The voting rights of PZU shareholders are limited in such a way that no shareholder may exercise more than 10% of the total number of votes existing in PZU on the day the Shareholder Meeting is held. The exclusions of this limitation and its rules are described in the PZU's Articles of Association (CH. [8.4. Shareholders and issuer's securities](#)). A shareholder may vote differently from each of the shares held by it.

Shareholders representing at least one-half of the share capital or at least one-half of the total number of votes in PZU may convene an Extraordinary Shareholder Meeting. These shareholders designate the chair of this meeting.

A shareholder or shareholders representing at least 1/20th of the PZU's share capital may:



# 8. Corporate governance statement

- request the convening of an Extraordinary Shareholder Meeting and the inclusion of certain matters in the agenda of that meeting;
- request that certain matters be placed on the agenda of the Shareholder Meeting. The request should be made no later than 21 days before the date of the Shareholder Meeting;
- prior to the date of the Shareholder Meeting, submit in writing or in electronic form draft resolutions on matters included in the agenda of the Shareholder Meeting or matters to be included in the agenda.

Each shareholder may nominate a candidate for a Member of the Supervisory Board. Draft resolutions and candidates for Members of the Supervisory Board should be submitted by a shareholder or shareholders of PZU at least 3 days before the date of the Shareholder Meeting.

During the meeting, each PZU shareholder entitled to participate in the Shareholder Meeting may:

- submit draft resolutions on matters included in the agenda;
- ask questions about the matters included in the agenda. If it is reasonable for the evaluation of a matter on the agenda, the Management Board (subject to statutory exceptions) shall provide the shareholder, upon request, with information concerning the company. In justified cases, the Management Board may provide information in writing outside the Shareholder Meeting, no later than two weeks after the end of the Shareholder Meeting.

Shareholders' participation in the Shareholder Meeting is also associated with other rights resulting from the provisions of the Commercial Company Code, including the right of a shareholder to object to a resolution being adopted and to challenge Shareholder Meeting resolutions in court (action to repeal the resolution or action to declare the resolution invalid).

In addition, a shareholder may review the list of shareholders entitled to participate in the Shareholder Meeting, which is displayed at the premises of the PZU Management Board for three business days prior to the date of the Shareholder Meeting, and request that the list of shareholders be sent to them free of charge by e-mail, to the address they have indicated.

A shareholder may submit to PZU, outside the Shareholder Meeting, a request for information concerning the PZU's activities. In such a case, the Management Board may provide the shareholder with the information in writing, unless doing so could harm PZU, an affiliate or subsidiary, in particular by revealing technical, trade or organizational secrets of the company. In the event that PZU provides information outside the Shareholder Meeting, a current report containing answers to the questions asked is made public.

## PZU Shareholder Meetings convened in 2022

In 2022, the Ordinary Shareholder Meeting and two Extraordinary Shareholder Meetings were held.

In addition to the matters provided for in Article 395 § 2 and 5 of the Commercial Company Code (that is examination and approval of the Management Board's report on the company's activity and financial statements for the previous financial year, adoption of a resolution on the distribution of profit, granting of a discharge to Members of the Company's corporate bodies on the performance of their duties, review and approval of the group's financial statements), the agenda of the Ordinary Shareholder Meeting of PZU held on 29 June 2022 concerned:

- issuing an opinion on the PZU Supervisory Board Report on Compensation of PZU Management Board and Supervisory Board Members for 2021;
- changes in the composition of the Supervisory Board;
- assessment of individual suitability of Supervisory Board Members;
- assessment of collective suitability of Supervisory Board Members;
- amendments to the Articles of Association of PZU and the Regulations of the PZU Shareholder Meeting;
- adoption of a resolution on the adoption for application of the Best Practices of WSE Listed Companies 2021;
- adoption of the diversity policy for Members of PZU bodies.

The adoption of the diversity policy for Members of PZU's bodies was made in implementation of rule 2.1., contained in the Best Practices of WSE Listed Companies 2021.

The subject of the Extraordinary Shareholder Meeting of PZU held on 25 March 2022 was the approval of the issuance of subordinated bonds in the domestic market.

The subject of the Extraordinary Shareholder Meeting of PZU held on 1 September 2022, were changes to the composition of the Supervisory Board and assessment of the collective suitability of the Supervisory Board.

## 8.7. Supervisory Board

### Rules for the appointment and dismissal of the Supervisory Board Members

The Supervisory Board of PZU is composed of seven to eleven Members. The number of Supervisory Board Members is specified by the Shareholder Meeting.

Members of the Supervisory Board are appointed by the Shareholder Meeting for a joint term of office which lasts three consecutive full financial years.

In accordance with the Articles of Association, half of Supervisory Board Members appointed by the Shareholder Meeting are elected from among persons proposed by the State Treasury – this right continues until its stake in the PZU's share capital drops below 20%. Then, this right is shifted to another shareholder holding the largest stake in the PZU's share capital, provided that this shareholder holds at least 20% of the share capital.

The Articles of Association give the State Treasury the right to appoint and dismiss one Supervisory Board Member by way of a written statement submitted to the Management Board – such appointment or dismissal is effective upon delivery of the pertinent statement to the PZU's Management Board and does not require a resolution of the Shareholder Meeting. This right will expire if the State Treasury ceases to be a PZU shareholder. In the event of expiration of the mandate of at least one Supervisory Board Member elected by group voting, the State Treasury regains the individual right.

The Supervisory Board elects the Supervisory Board Chairperson and Supervisory Board Deputy Chairperson from among its Members. The Supervisory Board might elect the Supervisory Board Secretary from among its Members.

The mandate of a Supervisory Board Member expires at the end of his or her term of office or as a result of his or her demise, resignation or dismissal from the Supervisory Board. If the mandate of a Member of the Supervisory Board expires during the term of office of the Supervisory Board, a new Member shall be appointed for the period until the end of the term of office of the Supervisory Board.

At least one Supervisory Board Member must hold qualifications in accounting or auditing financial statements within the meaning of the Act on Statutory Auditors, Audit Firms and Public Supervision. At least two Supervisory Board Members must meet the independence criteria set forth in the Best Practices of WSE Listed Companies. Independent Members of the Supervisory Board submit a written representation to PZU on meeting all the independence criteria and an obligation to notify the company immediately about ceasing to meet such criteria.

A candidate for a Member of the Supervisory Board designated by the State Treasury should hold a positive opinion from the Council for companies with State Treasury shareholding and state legal persons and meet the requirements set forth in Article 19 of the Act of 16 December 2016 on Rules for Managing State Property, among others:

- holds the pertinent education and experience supported by an academic title or certificate enumerated in a law;
- is not employed by the company, does not do work for it, or provide services to it, on the basis of some other legal relationship;

- does not hold shares in a subsidiary except for shares permitted to be traded on a regulated market within the meaning of the Financial Instruments Trading Act of 29 July 2005;
- is not engaged in activities that are at odds with his/her duties as a Member of a supervising body or that could evince a suspicion of partiality or interest or generate a conflict of interest with the company's business;
- meets the requirements for a Member of a supervising body as laid down in separate regulations.

### Suitability assessment

Supervisory Board Members are subject to individual suitability assessment. The Supervisory Board as a whole is also subject to suitability assessment (collective suitability assessment). The rules for assessing the suitability of the PZU Supervisory Board and Audit Committee were adopted by Resolution No. 33/2021 of the PZU Ordinary Shareholder Meeting of 16 June 2021. The rules are modeled on the Methodology of assessment of suitability of Members of corporate bodies of regulated entities issued by the Polish Financial Supervision Authority.

With regard to Members of the Supervisory Board, the rules for assessing suitability specify, among other things: the powers of the Supervisory Board and the Shareholder Meeting in the process of assessing suitability, the requirements for the composition of the Supervisory Board, the criteria for assessing suitability and the process for conducting the assessment.

Individual and collective suitability assessments are carried out at least once a year and, among other things, when a candidate for a Member of the Supervisory Board is put forward (primary individual suitability assessment – before the Shareholder Meeting adopts a resolution to appoint a person to serve) and before any changes are made to the composition of the Supervisory Board (collective suitability assessment). Assessment of the suitability of candidates for Members of the Supervisory Board is carried out on the basis of documents provided by the person being assessed, statements and information submitted, as well as completed forms and attachments.

The verification process is carried out based on the following criteria: competence, trustworthiness, including reputation and credibility, independence of the Supervisory Board Member, independence of judgment, including the absence of conflicts of interest and devoting sufficient time to serve as a Supervisory Board Member.

A candidate for a Member of the Supervisory Board should have a relevant educational background, particularly in insurance, banking or finance, economics, law, accounting, auditing, management, mathematics, physics, computer science, administration, financial regulation, information





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technology and quantitative methods. It is important that the person being assessed has specific professional credentials, in particular the credentials of an actuary, auditor, investment advisor, legal counsel or attorney. The assessment of suitability also takes into account the diversity policy adopted by the Shareholder Meeting for Members of PZU bodies.

Based on the collected documentation, the Nomination and Compensation Committee of the Supervisory Board proposes an individual suitability assessment of the person assessed or a collective suitability assessment of the Supervisory Board and submits these proposals to the Supervisory Board, which approves the suitability assessment proposals in the form of a resolution. The Supervisory Board presents the assessment to the Shareholder Meeting in the form of a report, which makes the final decision on the individual or collective suitability assessment by resolution.

## Supervisory Board's powers

The Supervisory Board exercises permanent supervision over the PZU's operations in all areas of its activity. The powers of the Supervisory Board include:

- evaluating the Management Board's report on the PZU's activity and the Management Board's report on the activity of the PZU Group and the company's financial statements and consolidated financial statements of the PZU Group for the previous financial year for compliance with the accounting ledgers and documents as well as the facts;
- evaluating the Management Board's motions to distribute the profit or cover the loss;
- submitting to the Shareholder Meeting an annual written report of the Supervisory Board for the past financial year, taking into account in particular the results of the assessment referred to in the points above;
- approving the solvency and financial condition report of PZU and the solvency and financial condition report of the PZU group;
- preparing reports on compensation for Management Board and Supervisory Board Members on an annual basis;
- concluding, terminating and amending agreements with Management Board Members and setting the rules for their compensation;
- appointing, suspending and dismissing the President of the Management Board, Management Board Members or the entire Management Board and making decisions to discontinue such a suspension;
- granting consent to transferring an insurance portfolio in its entirety or in part;
- giving consent to the acquisition, subscription for or disposal of ownership interests and shares in companies and on the PZU's participation in other entities – the Supervisory Board may define the maximum amount,

the terms and conditions and the procedure that the Management Board may use to conduct the foregoing activities without the obligation to obtain an approval from the Supervisory Board, except that the following require approval of the Supervisory Board:

- a) subscription for or acquisition of shares or ownership interests in another company, with the value exceeding:
  - PLN 100,000,000, or
  - 10% of total assets within the meaning of the Accounting Act of 29 September 1994, determined on the basis of the most recent approved financial statements,
- b) disposal of shares or ownership interests in another company, with the market value exceeding:
  - PLN 100,000,000, or
  - 10% of total assets within the meaning of the Accounting Act of 29 September 1994, determined on the basis of the most recent approved financial statements;
- seconding Supervisory Board Members to perform temporarily the functions of Management Board Members who have been dismissed, resigned or cannot perform their functions for other reasons;
- accepting instructions on how the PZU's representatives should vote at Shareholder Meetings of PZU Życie in matters on increasing or decreasing the share capital, issuing bonds, selling or leasing PZU Życie's enterprise or establishing a usufruct right on the enterprise, dividing PZU Życie, merging PZU Życie with another company, liquidating or dissolving PZU Życie;
- selecting the audit firm to carry out the mandatory audit of the financial statements, including the annual financial statements of PZU and the annual consolidated financial statements of the PZU Group and the solvency and financial condition report of PZU and the solvency and financial condition report of the PZU Group, and reviews of the financial statements in accordance with the obligations following from the prevailing laws;
- deciding on the consolidated text of the revised Articles of Association;
- approving the PZU's long-term development plans and annual financial plans prepared by the Management Board;
- approving the Rules and Regulations of the Management Board;
- performing tasks resulting from the guidelines or recommendations of regulatory authorities, in particular the Polish Financial Supervision Authority, adopted in the Company;
- examining and consulting matters submitted by the Management Board for deliberation at the Shareholder Meeting.

Moreover, one of the Supervisory Board's powers is to give consent to the following:

- acquisition or disposal of real property, perpetual usufruct or share in a real property or perpetual usufruct with a value exceeding the equivalent of EUR 3,000,000;
- execution, by PZU and a related party, of a material transaction;
- conclusion by PZU of an agreement with an underwriter;
- paying out an interim dividend;
- creating and shutting down regional or foreign branches;
- executing an agreement to provide legal, marketing, public relations and public communication services or management consulting services if the total net fee to be paid for such services under this agreement or other agreements executed with the same entity is greater than PLN 500,000 annually or where maximum amount of the fee is not specified or a change to this agreement consisting in increasing the said fee above the net amount of PLN 500,000 thousand annually;
- executing a donation or other agreement having a similar effect, the value of which exceeds PLN 20,000 thousand or 0.1% of total assets, determined on the basis of the most recent approved financial statements;
- executing a debt release agreement or another agreement having a similar effect, the value of which exceeds PLN 50,000 or 0.1% of total assets, determined on the basis of the most recent approved financial statements;
- subject to matters mentioned in the Articles of Association, the disposal of non-current assets, property, plant and equipment or long-term investments, including contribution to a company or a cooperative – if the market value of those assets exceeds 5% of total assets, determined on the basis of the most recent approved financial statements; and also handing those assets over for use to another entity for a period longer than 180 days in a calendar year based on a legal act, if the market value of the subject matter of the legal act exceeds 5% of total assets, whereas the handing over of assets for use in the case of:
  - a) lease, rental and other agreements to hand over an asset for use to other entities against payment, the market value of the subject matter of a legal act is defined as the value of benefits for:
    - one year if the asset is handed over on the basis of contracts entered into for an unspecified term,
    - the full duration of the term of validity in the case of contracts entered into for an unspecified term,
  - b) lending for use agreements and other agreements to hand over an asset to other entities for gratuitous use, the market value of the subject matter of a legal act is

defined as the value of benefits that would be due if a lease or rental agreement was executed instead, for:

- one year if the asset is to be handed over on the basis of a contract entered into for an unspecified term,
- the full duration of the term of validity in the case of contracts executed for an unspecified term;
- c) the acquisition of non-current assets with the value exceeding:
  - PLN 100,000,000, or
  - 5% of total assets determined on the basis of the most recent approved financial statements.

## Supervisory Board's method of operation

The Supervisory Board adopts the Rules and Regulations of the Supervisory Board which define its organization and manner of acting. The current Rules and Regulations, adopted by a Supervisory Board resolution of 9 September 2020, define the composition and manner of appointing members to the Supervisory Board, the tasks and scope of its operations and the procedure for convening and conducting meetings.

The Supervisory Board is required to meet as necessary, at least once every quarter. The chairman of the Supervisory Board directs the work of the Supervisory Board. Supervisory Board Members may participate in the Supervisory Board meeting using means of direct remote communication. The Supervisory Board may delegate its Members to fulfill specific supervising activities on their own and to this effect appoint temporary committees. The scope of responsibility of a delegated Supervisory Board Member and the committee is specified in a resolution of the Supervisory Board.

The Supervisory Board adopts its resolutions by an absolute majority of votes. In the event of a voting tie, the Chairman of the Supervisory Board has the casting vote. Resolutions of the Supervisory Board may be adopted using means of direct remote communication and circular vote. Additionally, the Articles of Association stipulate that a vote may be cast in writing through another Supervisory Board Member.

The Supervisory Board adopts its resolutions in an open ballot. A secret ballot should be held at the request of even a single Supervisory Board Member.

Members of the Management Board, PZU's employees relevant to the issue under consideration selected by the Management Board and other persons invited by the Supervisory Board may take part in the meetings of the Supervisory Board without the right to vote. In specific cases, the Supervisory Board may also invite Members of management boards or supervisory boards of other PZU Group Member companies. Moreover, Supervisory Board Members, with the consent of the Supervisory Board, may select no more than one advisor



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PZU’s Supervisory Board composition as at 31 December 2022

	Composition of the PZU Supervisory Board			
	1 January 2022	1 September 2022	27 October 2022	31 December 2022
Position				
Chairman	Paweł Mucha	-	Robert Jastrzębski	Robert Jastrzębski
Deputy Chairman	Paweł Górecki	Paweł Górecki	Paweł Górecki	Paweł Górecki
Secretary	Robert Śnitko	Robert Śnitko	Robert Śnitko	Robert Śnitko
Member	Marcin Chludziński	Marcin Chludziński	Marcin Chludziński	Marcin Chludziński
Member	Agata Górnicka	Agata Górnicka	Agata Górnicka	Agata Górnicka
Member	Robert Jastrzębski	Robert Jastrzębski	Elżbieta Mączyńska-Ziemacka	Elżbieta Mączyńska-Ziemacka
Member	Elżbieta Mączyńska-Ziemacka	Elżbieta Mączyńska-Ziemacka	Krzysztof Opolski	Krzysztof Opolski
Member	Krzysztof Opolski	Krzysztof Opolski	Radosław Sierpiński	Radosław Sierpiński
Member	Radosław Sierpiński	Radosław Sierpiński	Józef Wierzbowski	Józef Wierzbowski
Member	Józef Wierzbowski	Piotr Wachowiak	Piotr Wachowiak	Piotr Wachowiak
Member	Maciej Zaborowski	Józef Wierzbowski	Maciej Zaborowski	Maciej Zaborowski
Member	–	Maciej Zaborowski	–	–

authorized to take part in the meetings of the Supervisory Board devoted to reports and financial statements and give their advice, provided that such a person adheres to the rules of confidentiality and signs a confidentiality undertaking.

To properly perform its supervisory function, the Supervisory Board may establish permanent advisory and consultative committees whose competencies, composition and manner of operation will be laid down in the rules and regulations of the committee in question adopted by the Supervisory Board. The Supervisory Board and its committees may use the services of experts and consulting firms.

Currently, the following committees operate within the Supervisory Board:

- Audit Committee;
- Nomination and Compensation Committee,
- Strategy Committee.

Composition of the PZU Supervisory Board in 2022

In 2022, the PZU Supervisory Board was composed of 11 Members.

On 31 August 2021, Paweł Mucha submitted his resignation from serving in the capacity of Chairman of the PZU

Supervisory Board and from Membership in the PZU Supervisory Board.

On 1 September 2022, the Extraordinary Shareholder Meeting of PZU appointed Piotr Wachowiak as Member of the PZU Supervisory Board.

On 27 October 2022, the PZU Supervisory Board appointed Robert Jastrzębski as the Chairman of the PZU Supervisory Board.

As of the date of publication of this report the composition of the Supervisory Board has not changed.

The Extraordinary Shareholder Meeting, in making changes to the composition of the Supervisory Board, confirmed the individual suitability of the new Supervisory Board Member and the collective suitability of the entire body, which took into account the personnel changes made. In addition, the Ordinary Shareholder Meeting confirmed the suitability of the existing remaining Members of the Supervisory Board in connection with the annual periodic suitability assessment. All Members of the Supervisory Board had a positive suitability assessment.

The independence criteria set forth in the Best Practices of WSE Listed Companies were met by: Paweł Mucha, Robert Jastrzębski, Paweł Górecki, Robert Śnitko, Marcin Chludziński, Agata Górnicka, Elżbieta Mączyńska-Ziemacka, Krzysztof

Opolski, Józef Wierzbowski, Piotr Wachowiak, Maciej Zaborowski. The verification was carried out on the basis of the statements made by the Members of the Supervisory Board and their subsequent update, if any, in the event of a change in the circumstances forming the basis for the original submission. The content of the statements refers to the independence criteria enumerated in Article 129(3) of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision.

Persons sitting in the PZU Supervisory Board have diverse educational backgrounds, specialized knowledge and professional experience, presented in CHAPTER [8.10. Polityka różnorodności](#).

The term of office of the PZU Supervisory Board ended on 31 December 2022. The terms of office of the Members of the Supervisory Board will expire no later than the date of the Shareholder Meeting approving the financial statements for 2022.

CVs of Members of the Supervisory Board



Robert Jastrzębski

Supervisory Board Chairman

On the Supervisory Board since 9 March 2018.

Graduated from the Faculty of Law and Administration at the University of Warsaw. In 2001 he was granted a doctoral degree in juridical science and in 2009 a habilitated Ph.D. degree. Affiliated with the Faculty of Law and Administration at the University of Warsaw since 2001. He became a professor at the university in 2019. Author of about 120 scientific publications, including author, co-author, editor and co-editor of 10 books. Recipients of awards and distinctions, including Awards from the Faculty of Law and Administration at the University of Warsaw for outstanding scholarly achievements and the Team Award granted by the Rector of the Warsaw School of Economics, an Award from the Rector of the University of Warsaw for activity that contributes to growth and improves the recognition of the University of Warsaw. Since 2015, Head of the Laboratory of Polish 20th Century Law and since 2019 Head of the History of Administration Department. Member of: among others, the editorial committee of the journal “Studia z Dziejów Państwa i Prawa Polskiego” [Studies in the History of Polish State and Law] (2015), the editorial team of the journal “Zeszyty Naukowe Biura Analiz Sejmowych” [Scholarly Papers of the Sejm Analysis Office] (2016) and the program board of the “Marketing i Rynek” [Marketing and Market] journal (2019).



Paweł Górecki

Supervisory Board Deputy

Chairman On the Supervisory Board since 8 February 2017.

Doctor of juridical science and attorney-at-law. Graduated from the Faculty of Law, Administration and Economics of the University of Wrocław. He attended numerous training courses and workshops in law of evidence, civil and penal law and management of public entities. He has authored several dozen peer-reviewed papers on the subject of law published by Polish and international journals. He specializes in corporate law, the capital market and the application of court and administrative procedures. Member of supervisory boards of several capital companies. Currently, Vice-President of the KDPW S.A. Management Board and Supervisory Board Deputy Chairman of ARP Leasing Sp. z o.o.



Robert Śnitko

Supervisory Board Secretary

In the Supervisory Board since 12 April 2017.

Graduate of the London School of Economics and Political Science, University of London, School of Oriental and African Studies, University of London, Faculty of Economics at the Radom Technical University. Holder of a Scholarship awarded by the Minister of National Education (Minister of Science and Higher Education), the United Kingdom’s Ministry of Foreign Affairs and non-governmental organizations from the United Kingdom and the United States. Ph.D. in economics obtained from the Warsaw School of Economics. University teacher, advisor to the Management Board of Totalizator Sportowy Sp. z o.o. Member of the International Institute for Strategic Studies.



Marcin Chludziński

Supervisory Board Member

On the Supervisory Board since 7 January 2016.

Manager, President of the Management Board of Operator Gazociągów Przesyłowych Gaz-System SA. From 2018 to 2022 President of KGHM Polska Miedź SA, from 2016 to 2018 President of the Management Board of Agencja Rozwoju Przemysłu SA, previously served on the boards and regulatory bodies of commercial companies.





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Graduate of the University of Warsaw. He specializes in restructuring, strategic development and business transformation.



**Agata Górnicka**

Supervisory Board Member

On the Supervisory Board since 8 February 2017.

Master's degree in political science from the Faculty of Journalism and Political Science at the University of Warsaw. Graduate of a post-graduate study program in media management from the Koźmiński University. She gained professional experience: at Telewizja Polska S.A. (from 2006 to 2012), as Project Coordinator at the Bank Zachodni WBK S.A. Foundation. (from 2012 to 2013), then as Assistant to the CEO at Bank Zachodni WBK S.A. (in 2013–2014), and later as Manager of the Management and Supervisory Board Office at Bank Zachodni WBK S.A. (in 2014–2015). Director of the Political Office in the Ministry of Development in 2015-2017 and chief advisor in the Office of the Prime Minister in 2017-2018. Since April 2018 Director of the External Relations Office in PKN ORLEN S.A. and Chairwoman of the ORLEN Foundation's Supervisory Board. In October 2019 she started to serve as a member of the Supervisory Board of ORLEN Deutschland GmbH.



**Elżbieta Mączyńska-Ziemacka**

Supervisory Board Member

On the Supervisory Board since 24 May 2019.

Graduate of the Faculty of Economics at the University of Warsaw. Professor of economic science. The author of econometric models for predicting bankruptcies in enterprises and of a concept of early warning systems pinpointing threats to business activity. Head of the Postgraduate Studies in Real Estate Valuation organized at the Collegium of Business Administration at the Warsaw School of Economics (SGH). Member of the Council for Higher Education, Science and Innovation of the National Development Council at the President of the Republic of Poland. Also a Member of the Presidium of the "Poland 2000 Plus" Forecasting Committee, the Economics Committee of the Polish Academy of Sciences and the Academic Council of the Institute of Economics of the Polish Academy of Sciences. In 2005-2021 the President of the Polish Economic Society, currently the honorary president. From 1994 to 2005 – scientific secretary and Member of the

Presidium of the Social and Economic Strategy Council of the Council of Ministers.



**Krzysztof Opolski**

Supervisory Board Member

On the Supervisory Board since 24 May 2019.

Full professor, doctor of Economics. Former long-term head of the Department of Banking, Finance and Accounting at the Faculty of Economics of the University of Warsaw. Founder and long-term editor-in-chief of the journal *Ekonomia. Rynek, gospodarka, społeczeństwo*. [Economy. Market, Economic System, Society]. The concept author and head of numerous post-graduate studies, including "Strategic audit in public and private institutions", "Economic efficiency of companies". Chief Editor of the journal "MAZOWSZE – Studia Regionalne" ["MAZOVIA – Regional Studies"], Member of the Editorial Board of the journal "Bezpieczny Bank" ["Safe Bank"] journal, a Member of the Academic Councils of the "Central European Economic Journal" and "E-Finance" ["E-Finances"]. A former member of the supervisory boards of Bank Handlowy S.A., AXA Polska S.A. and Centrum Giełdowe S.A. In 2009-2010 he managed the team of strategic advisors to the President of the National Bank of Poland. Chairman of the Business Award Jury of the President of the Republic of Poland, Deputy Chairman of the Polish Economic Exhibition jury and a Member of the "Teraz Polska" Contest Jury. He is a published author of numerous books and academic articles on finance and management.



**Radosław Sierpiński**

Supervisory Board Member

On the Supervisory Board since 12 October 2021

President of the Medical Research Agency. Prime Minister's Plenipotentiary for the Development of the Biotechnology Sector and Poland's Independence in Blood Derivative Products. Physician and manager, specializing in medical management, clinical research, HTA and science management. Graduate of the Oxford Executive Leadership Programme organized by Saïd Business School and Oxford University and the Risk and Crisis Management course under the auspices of the London School of Economics. He has extensive research and development experience in biotechnology and has extensive contacts with international scientific and health management institutions.



**Piotr Wachowiak**

Supervisory Board Member

On the Supervisory Board since 1 September 2022.

Graduate of the Main School of Planning and Statistics (now: SGH Warsaw School of Economics) at the Faculty of Domestic Trade. In 2014, he was awarded a doctoral degree in economic sciences. Currently a Rector of the Warsaw School of Economics and Director of the Institute of Management. Also serves as: Vice-Chairman of the Committee on Organization and Management Sciences of the Polish Academy of Sciences, Vice-Chairman of the Conference of Rectors of Economic Universities and Chairman of the Conference of Rectors of Warsaw Universities. He specializes in the issues of managing people in organizations and corporate social responsibility. He conducts scientific research on: personnel policy in companies operating in Poland, negotiation, measurement of intellectual capital of companies, knowledge management in companies and corporate social responsibility.



**Józef Wierzbowski**

Supervisory Board Member

On the Supervisory Board since 26 May 2020.

Graduate of the Maria Grzegorzewska Academy of Special Education. He completed an EMBA at the Apsley Business School of London and Warsaw Management University and management at the Koźmiński University. He has 30 years of experience in managerial positions in national and local government administration and in companies in which the State Treasury is a shareholder. He served as an advisor to the Management Board and as Deputy Director of the Audit Department in PZU SA in 2007 and 2008. He has many years of experience in supervisory boards. He sat in the Supervisory Board of BondSpot S.A. in 2016–2017 and GPW Benchmark S.A. in 2018–2022 and System Gazociągów Tranzytowych "Europol Gaz" S.A. Currently, he serves as the Supervisory Board Member of PGNiG Supply&Taiding S.A. In PGNiG Termika S.A. Orlen Group, he holds the position of Director of the Company Management Division and is a Proxy.



**Maciej Zaborowski**

Supervisory Board Member

On the Supervisory Board since 7 January 2016.

Graduated from the Faculty of Law and Administration at the University of Warsaw. Completed post-graduate studies in intellectual property law and postgraduate studies in evidentiary law. He also graduated from the Harvard Law School (ALP), Center for American Law Studies and the Leadership Academy for Poland. Advocate, Ministry of Justice expert and standing mediator at the Court of Arbitration in the General Counsel to the Republic of Poland. Lecturer in the Warsaw Bar Association. He runs his own legal practice and is the Managing Partner in the law firm Kopeć Zaborowski Adwokaci i Radcowie Prawni sp.p. Member of the State Tribunal since February 2018. He has acquired experience in corporate governance as a member of supervisory boards in various companies.

### PZU Supervisory Board's activity in 2022

In 2022, the Supervisory Board held 17 meetings, at which it adopted 173 resolutions. It also adopted 10 resolutions between meetings by written procedure. These resolutions pertained to all the areas of the PZU's business and were consistent with the scope of oversight functions defined by the requirements of the generally binding law, the Insurance and Reinsurance Activity Act of 11 September 2015, KNF's recommendations, corporate governance rules and the ones described in PZU's Articles of Association and the Supervisory Board Rules and Regulations.

At its meetings held in 2022, the Supervisory Board regularly reviewed and evaluated the performance of both the PZU Group and its distinct business divisions in relation to the financial plan. The Supervisory Board also discussed and accepted other legally-required detailed reports on various areas of the PZU's business, including, among others, regular reports on risk, compliance, audit and IT security. On top of that, the Supervisory Board monitored the execution of the PZU Group Strategy for 2021–2024 on an ongoing basis. In connection with the amendments to the Commercial Company Code, the Supervisory Board adopted a resolution on establishing rules for the provision of information by the Management Board of PZU on the main areas of the company's operations, as referred to in Article 380<sup>1</sup>. The Board received information on the subject of resolutions adopted by PZU's Management Board and significant events in the conduct of the company's affairs, particularly in the operational, investment and personnel areas, including with regard to subsidiaries, which fulfilled its obligations under Article 380<sup>1</sup> of the Commercial Company Code.



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In addition, the Board also received information on the measures implemented by PZU in connection with the COVID-19 pandemic, as well as information on the activities of Ukrainian PZU Group companies and the assistance provided to Ukraine in connection with the ongoing armed conflict in that country.

Attendance of Members in Supervisory Board meetings in 2022

	Attendance *	
Paweł Mucha (until 31 August 2022)	12/12	100%
Robert Jastrzębski	17/17	100%
Paweł Górecki	17/17	100%
Robert Śnitko	16/17	94%
Marcin Chludziński	15/17	88%
Agata Górnicka	16/17	94%
Elżbieta Mączyńska-Ziemacka	17/17	100%
Krzysztof Opolski	17/17	100%
Radosław Sierpiński	15/17	88%
Piotr Wachowiak (from 1 September 2022)	5/5	100%
Józef Wierzbowski	17/17	100%
Maciej Zaborowski	15/17	88%

\*) Attendance at meetings/number of meetings while in office

The Supervisory Board meetings in 2022 were held in the hybrid form – some Supervisory Board Members participated in the meetings on site and some remotely.

The committees of the Supervisory Board, during their regular meetings in 2022, discussed in detail the most important issues in the company's various business areas, which, in accordance with applicable regulations, require approval by the Supervisory Board, and provided the Supervisory Board with information on the committee's work, as required by the Commercial Company Code, as amended by the Act of 9 February 2022, amending the Commercial Company Code and certain other acts.

Audit Committee

The Audit Committee was appointed by a Supervisory Board resolution of 3 June 2008.

The Audit Committee includes at least three members. At least one Member of the Audit Committee should be qualified in accounting or auditing. Furthermore, the majority of the Audit Committee Members, including the chairperson, should meet the independence criteria set forth in the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision (independent Member) concerning, without limitation, professional or family ties, especially to managers or supervisors of PZU or PZU Group entities. The detailed tasks and terms and conditions of appointing Members of the Audit Committee and its operation are specified in a resolution of the Supervisory Board which takes into account the relevant competencies and experience of candidates for Members of the Committee.

The Audit Committee is an advisory and consultative body to the Supervisory Board. It is appointed to improve the effectiveness of the Supervisory Board's oversight activities in respect of the correctness of financial reporting, the effectiveness of internal control system, including internal audit, and the risk management system. In addition, the Audit Committee may request the Supervisory Board to request specific control activities in PZU, whereby the requested activities may be performed by an internal unit or external entity.

PZU takes into consideration the Best practices for public interest entities pertaining to the appointment, composition and operation of the audit committee as published by the Office of the Polish Financial Supervision Authority on 24 December 2019.

The scope of the Audit Committee's activities comprises:

- monitoring the PZU's financial reporting process,
- monitoring the effectiveness of internal control, internal audit and risk management systems, including as regards financial reporting;
- monitoring the performance of financial audit activities in PZU, in particular conducting the audit by the audit firm, taking into account the findings and conclusions of the Polish Audit Supervision Agency following from an inspection carried out in the audit firm;
- assessing the independence of the statutory auditor and the audit firm;
- providing advice and issuing opinions within the scope of the Supervisory Board's powers relating to the activities specified in the four items above and to the extent permitted by the prevailing provisions of law and the PZU's internal regulations;

- presenting a recommendation regarding the selection of an audit firm to perform the audit and review of the financial statements to the Supervisory Board;
- controlling and monitoring the independence of the statutory auditor and the audit firm, including giving consent to the audit firm conducting the audit, its related entities and by a Member of the audit firm's network to provide permitted services in PZU or entities from the PZU Group, upon assessing the threats and safeguards of the independence of the statutory auditor and the audit firm and verification of the compensation limit for the provided services;
- informing the Supervisory Board of the results of the audit and review and explaining how the audit has contributed to reliability of the financial reporting in PZU and the PZU Group, and the role of the Committee in the audit process;
- developing a policy for the selection of an audit firm to perform the audit;
- developing a policy for provision of permitted services by the audit firm conducting the audit, its related entities and by a member of the audit firm's network;
- defining a procedure for the selection of an audit firm;
- submitting recommendations aimed at ensuring the reliability of the financial reporting process in PZU;
- supervising the compliance function;
- monitoring introduction of changes in PZU in connection with the recommendations issued by the key statutory auditor, Internal Audit Department (with regard to preparation of financial statements), Supervisory Board or the Committee;

- carrying out other tasks following from generally prevailing provisions of law or entrusted by the Supervisory Board.

Composition of the Audit Committee in 2022

In 2022, there has been one change in the composition of the Committee Audit Committee. On 23 November 2022, Piotr Wachowiak was appointed to the Audit Committee.

Knowledge, skills and experience of Audit Committee members including the way in which they were acquired

All Members of the Audit Committee have made a declaration of independence within the meaning of Article 129(3) of the Act on Statutory Auditors, Audit Firms and Public Supervision, and of having knowledge and skills in the industry in which PZU operates.

Krzysztof Opolski, Marcin Chludziński, Robert Śnitko i Piotr Wachowiak were designated as Members holding qualifications in accounting or auditing financial statements.

The Members of the Audit Committee collectively have knowledge and skills in the insurance industry, which derive, among other things, from their education, work experience and functions held.

Krzysztof Opolski, a Member of PZU's Supervisory Board since 24 May 2019, is a professor, doctor of economics. Former long-term head of the Department of Banking, Finance and Accounting the Faculty of Economics of the University of Warsaw. In 2009–2010 he was the head of strategic advisors to the President of the National Bank of Poland. He has many years of experience on managerial and supervisory positions in commercial law companies. He was a Supervisory Board

Composition of the Audit Committee in 2022

	Composition of the Audit Committee		
	1 January 2022	23 November 2022	31 December 2022
Position			
Chairman	Krzysztof Opolski	Krzysztof Opolski	Krzysztof Opolski
Member	Marcin Chludziński	Marcin Chludziński	Marcin Chludziński
Member	Robert Śnitko	Robert Śnitko	Robert Śnitko
Member	Maciej Zaborowski	Piotr Wachowiak	Piotr Wachowiak
Member	-	Maciej Zaborowski	Maciej Zaborowski



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member at Bank Handlowy w Warszawie SA, AXA Polska SA and Centrum Gieldowe SA.

Marcin Chludziński, Member of the PZU Supervisory Board from 7 January 2016, graduated from the Social Policy Institute at the University of Warsaw. Completed MBA studies at the Institute of Economics of the Polish Academy of Sciences. He has many years of experience on managerial and supervisory positions in commercial law companies.

Robert Śnitko, PZU Supervisory Board Member since 12 April 2017, has the title of PhD in economics at the Warsaw School of Economics, is an university teacher and Member of the International Institute for Strategic Studies. Graduate of the London School of Economics and Political Science, University of London, School of Oriental and African Studies, University of London and Faculty of Economics at the Radom Technical University.

Piotr Wachowiak, a Member of PZU's Supervisory Board since 1 September 2022, is a doctor of economics. Graduate of the Main School of Planning and Statistics at the Faculty of Domestic Trade. Currently a Rector of the Warsaw School of Economics and Director of the Institute of Management. Also serves as: Vice-Chairman of the Committee on Organization and Management Sciences of the Polish Academy of Sciences, Vice-Chairman of the Conference of Rectors of Economic Universities and Chairman of the Conference of Rectors of Warsaw Universities.

Maciej Zaborowski, PZU Supervisory Board Member since 7 January 2016, advocate and judge of the State Tribunal. Graduate of the Faculty of Law and Administration at the University of Warsaw, Center for American Law Studies and Leadership Academy for Poland. He is also an expert of the Ministry of Justice, lecturer of advocate training at the Bar Association in Warsaw and permanent mediator of the Arbitration Court at the General Counsel to the Republic of Poland. He has experience on supervisory positions in commercial law companies.

Activity of the Audit Committee in 2022

In 2022, the Audit Committee held 13 meetings.

Key issues addressed by the Audit Committee in 2022 covered the discussions on:

- the risk report for Q4 2021 and for Q1–3 2022;
- the report on the use of the limit and concentration thresholds in the PZU financial conglomerate as at the end of 2021 and the first three quarters of 2022;
- the results of PZU's and PZU Group's own risk and solvency assessment;

- the annual report on the Internal Audit Department's activity in 2021;
- the findings of external inspections conducted in PZU in 2021;
- the report on the Internal Audit Department's activity in Q4 2021 and Q1–3 2022;
- the draft audit plan for 2022;
- the Financial Plan of PZU and the PZU Group for 2022;
- the Financial Plan of PZU and the PZU Group for 2023 according to IFRS 4;
- the results of PZU and the PZU Group for 2021, the H1 2022 and Q1 and Q3 2022;
- the additional report for the Audit Committee;
- the draft PZU Supervisory Board report on its assessment of PZU's financial statements for the year ended 31 December 2021, the consolidated financial statements of the PZU Group for the year ended 31 December 2021, the Management Board report on the activity of the PZU Group and PZU in 2021 and the Management Board's motion to distribute PZU's net profit for the year ended 31 December 2021;

In 2022, the Committee made recommendations to the Supervisory Board on:

- amending a policy for the selection of an audit firm to perform the audit;
- amending a procedure for the selection of an audit firm;
- selecting the audit firm PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k. to audit and review the financial statements and audit the solvency and financial standing reports of PZU and PZU Group for the five financial years 2024–2028, with an option to extend the agreement for two more financial years 2029–2030;
- approving the PZU Group's risk management strategy;
- assessing the solvency and financial standing report of PZU for the year ended 31 December 2021;
- assessing the solvency and financial standing report of the PZU Group for the year ended 31 December 2021;

made the assessment of:

- PZU's financial statements and the PZU Group's consolidated financial statements for the year ended 31 December 2021, and the Management Board's report on the activity of the PZU Group and PZU in 2021 , with the report on non-financial information;

Attendance of Members in Audit Committee meetings in 2022

	Attendance *	
Krzysztof Opolski	13/13	100%
Marcin Chludziński	10/13	77%
Robert Śnitko	12/13	92%
Piotr Wachowiak	2/2	100%
Maciej Zaborowski	11/13	85%

\*) Attendance at meetings/number of meetings while in office

- the PZU Management Board's motion to the Shareholder Meeting to distribute PZU's net profit for the year ended 31 December 2021;

and accepted the Audit Committee's report on its activity in 2021.

The Audit Committee adopted resolutions on the acceptance of the permitted services to be provided by PZU's auditor, KPMG Audyt sp. z o.o. sp. k., to PZU Group entities. Based on an analysis of representations submitted by representatives of the entity performing the audit - KPMG Audit, the Committee

made a positive assessment of the independence of the statutory auditor and the audit firm and confirmed that the auditor and PZU comply with the regulatory requirements concerning the rotation of the key statutory auditor and the audit firm performing audits of the standalone and consolidated financial statements and standalone and consolidated annual consolidated solvency and financial condition reports of PZU and the PZU Group.

Nomination and Compensation Committee

The Nomination and Compensation Committee was appointed by a Supervisory Board resolution of 12 May 2010.

The Supervisory Board determines the number of Committee members and appoints them from among its own members. The Committee includes at least one independent member.

The Nomination and Compensation Committee is an advisory and consultative body to the Supervisory Board. It is appointed to improve the effectiveness of the Supervisory Board's supervision related to the development of the management structure, including organizational solutions, the remuneration principles and the selection of properly qualified staff.

The tasks of the Nomination and Compensation Committee include, in particular, issuing opinions and presenting recommendations to the Supervisory Board with regard to its decisions made with regard to:

- concluding, terminating and amending agreements with Management Board Members and setting the rules for their compensation;

Composition of the Nomination and Compensation Committee in 2022

	Composition of the Nomination and Compensation Committee		
	1 January 2022	1 September 2022	31 December 2022
Position			
Chairman	Robert Jastrzębski	Robert Jastrzębski	Robert Jastrzębski
Member	Paweł Górecki	Paweł Górecki	Paweł Górecki
Member	Agata Górnicka	Agata Górnicka	Agata Górnicka
Member	Elżbieta Mączyńska-Ziemacka	Elżbieta Mączyńska-Ziemacka	Elżbieta Mączyńska-Ziemacka
Member	Paweł Mucha	Radosław Sierpiński	Radosław Sierpiński
Member	Radosław Sierpiński	-	-



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- setting the level of compensation, bonuses and additional benefits for the Management Board;
- appointing, suspending and dismissing the President of the Management Board, Management Board Members or the entire Management Board and discontinuing suspension;
- seconding Supervisory Board Members to perform temporarily the functions of Management Board Members who have been dismissed, resigned or cannot perform their functions for other reasons.

Moreover, the scope of the Committee's activities may include other matters entrusted to it by the Supervisory Board.

The committee is dissolved once five Members of the Supervisory Board are elected by group voting, following which its powers are taken over by the whole Supervisory Board.

### Composition of the Nomination and Compensation Committee in 2022

As a result of Paweł Mucha's resignation as Chairman of the PZU Supervisory Board and the Member of the PZU Supervisory Board on 31 August 2022, his Membership in the Nomination and Compensation Committee also ceased on 31 August 2022.

Robert Jastrzębski, Elżbieta Mączyńska-Ziemacka and Paweł Mucha submitted declarations that they meet the independence criteria set forth in the Best Practices of WSE Listed Companies 2021.

### Activity of the Nomination and Compensation Committee in 2022

In 2022, the Nomination and Compensation Committee held 13 meetings.

Key issues addressed by the Nomination and Compensation Committee in 2022 involved:

- defining the Management Objectives for the Company's Management Board Members for 2022;
- conducting a recruitment procedure for a new Member of the PZU Management Board for a joint term of office encompassing three full financial years 2020–2022;
- discussing a Report on implementation of the Compensation Policy for the PZU Management Board and Supervisory Board Members;
- submitting a recommendation to the PZU Supervisory Board on the Diversity Policy for Members of PZU bodies;
- submitting a recommendation to the PZU Supervisory Board on giving consent to pay Members of the PZU Management Boards of deferred variable compensation

- under management services provision agreement for 2017, 2018, 2019, 2020 and 2021;
- assessing the attainment of Management Objectives for 2021 and variable compensation of PZU Management Board Members for 2021;
- discussing the Supervisory Board Report on Compensation of PZU Management Board and Supervisory Board Members for 2021;
- discussing the PZU Management Board Report on the implementation of the Compensation Policy for the PZU Management Board and Supervisory Board Members for the period from 1 July 2021 to 30 June 2022;
- carrying out an assessment of suitability of PZU Supervisory Board Members and Audit Committee Members (individual and collective assessment);
- conducting a recruitment procedure for the President of the Management Board and Members of the PZU Management Board for a new term of office beginning 1 January 2023 and encompassing three full financial years 2023–2025;
- assessing the suitability of PZU Management Board Members (individual and collective assessment).

### Attendance of Members in Nomination and Compensation Committee meetings in 2022

	Attendance *	
Robert Jastrzębski	13/13	100%
Paweł Górecki	13/13	100%
Agata Górnicka	13/13	100%
Paweł Mucha (do 31 sierpnia 2022 roku)	11/11	100%
Elżbieta Mączyńska-Ziemacka	13/13	100%
Radosław Sierpiński	12/13	92%

\*) Attendance at meetings/number of meetings while in office

### Strategy Committee

The Strategy Committee was appointed by a Supervisory Board resolution of 29 July 2010.

The Supervisory Board determines the number of Committee Members and appoints them from among its own members.

	Composition of the Strategy Committee	
	1 stycznia 2022	31 grudnia 2022 roku
Position		
Chairman	Robert Śnitko	Robert Śnitko
Member	Marcin Chludziński	Marcin Chludziński
Member	Agata Górnicka	Agata Górnicka
Member	Robert Jastrzębski	Robert Jastrzębski
Member	Maciej Zaborowski	Maciej Zaborowski

The Strategy Committee is an advisory and consultative body to the Supervisory Board. It is appointed to increase the efficiency of the Supervisory Board's supervisory activities as regards issuing opinions on strategic documents submitted by the Management Board (in particular development strategy). The Committee submits recommendations to the Supervisory Board on planned investments with a significant impact on PZU's assets.

The tasks of the Strategy Committee include, in particular, issuing opinions and presenting recommendations to the Supervisory Board with regard to its decisions pertaining to:

- approving PZU's long-term development plans prepared by the Management Board;
- planned investments in PZU and the PZU Group;
- consent for PZU to conclude an agreement with an underwriter referred to in Article 433 § 3 of the Commercial Company Code;
- rules for purchase, subscription or sale of ownership interests and shares in companies as well as PZU's participation in other entities and accepting the Management Board's motions on these matters;
- consent to transferring an insurance portfolio in its entirety or in part.

Moreover, the scope of the Strategy Committee's activities may include other matters entrusted to it by the Supervisory Board.

### Composition of the Strategy Committee in 2022

In 2022, the composition of the Committee did not change.

### Activity of the Strategy Committee in 2022

In 2022, the Strategy Committee held 2 meetings.

The Strategy Committee in 2022 was in charge of discussing semi-annual reports on the implementation of the PZU Group Strategy for 2021–2024.

Most Committee meetings were attended also by the remaining Supervisory Board Members..

### Attendance of Members in Strategy Committee meetings in 2022

	Attendance *	
Robert Śnitko	2/2	100%
Marcin Chludziński	2/2	100%
Agata Górnicka	2/2	100%
Robert Jastrzębski	2/2	100%
Maciej Zaborowski	2/2	100%

\*) Attendance at meetings/number of meetings while in office



# 8. Corporate governance statement

## 8.8. Management Board

### Rules for the appointment and dismissal of managers

The PZU Management Board is composed of three to eight Members appointed for a joint term of office spanning three consecutive full financial years.

Management Board Members, including the President of the Management Board, are appointed and dismissed by the Supervisory Board. Such appointment takes place following a recruitment procedure designed to verify and evaluate qualifications of the candidates and, consequently, to select the best candidate.

All Management Board Members are subject to individual suitability assessment (primary and secondary). The Management Board as a whole is also subject to suitability assessment (collective suitability assessment). The rules for assessing the suitability of the PZU Management Board were adopted by Resolution No. URN/129/2020 of the PZU Supervisory Board on 18 November 2020 (as amended). The rules are modeled on the Methodology of assessment of suitability of Members of corporate bodies of regulated entities issued by the Polish Financial Supervision Authority.

With regard to Members of the Management Board, the rules for assessing suitability specify, among other things: the powers of the Supervisory Board and the Nomination and Compensation Committee in the process of assessing suitability, the requirements for the composition of the PZU Management Board, the criteria for assessing suitability and the process for conducting the assessment.

Individual and collective suitability assessments are carried out at least once a year and, among other things, when a candidate for a Member of the Management Board is put forward (primary individual suitability assessment – before the appointment of a person to serve) and before any changes are made to the composition of the Management Board (collective suitability assessment).

The verification process is carried out based on the following criteria: competence, trustworthiness, including reputation and credibility, independence of judgment, including the absence of conflicts of interest and devoting sufficient time to serve as a Management Board Member.

A candidate for a Member of the Management Board should have a university degree, particularly in insurance, banking or finance, economics, law, accounting, auditing, management, mathematics, physics, computer science, administration, financial regulation, information technology and quantitative methods. It is important that the person being assessed has specific professional credentials, in particular the credentials of an actuary, auditor, investment advisor, legal counsel or attorney. The assessment of suitability also takes into account

the diversity policy adopted by the Shareholder Meeting for Members of PZU bodies.

Assessment of the suitability is carried out on the basis of documents provided by the person being assessed, statements and information submitted, as well as completed forms and attachments.

Based on the collected documentation, the Nomination and Compensation Committee of the Supervisory Board proposes an individual suitability assessment of the person assessed or a collective suitability assessment of the Management Board and submits these proposals to the Supervisory Board, which, by way of resolution, makes a final decision on the individual or collective suitability assessment.

Furthermore, a Management Board Member must fulfill all of the following conditions:

- holds a graduate degree received in Poland or a graduate degree received abroad and recognized in the Republic of Poland pursuant to separate regulations;
- has at least 5-year employment period based on an employment agreement, appointment, selection, nomination, cooperative employment agreement or provision of services on the basis of another contract or conducting business activity on one's own account;
- has at least 3 years of experience on managerial or independent positions or arising from conducting business activity on one's own account,
- in addition to the abovementioned requirements, meets other requirements arising from separate regulations, in particular is not in breach of any restrictions or prohibitions for holding an executive position in commercial companies.

Management Board Member may not be a person who fulfills at least one of the following conditions:

- acts as a social associate or is an employee of an MP's office, senator's office, MP-senator's office or office of a member of European Parliament pursuant to an employment agreement or provides work on the basis of a mandate agreement or other similar agreement;
- is a member of a political party's governing body externally representing a political party and authorized to take down obligations;
- is employed by a political party pursuant to an employment agreement or provides work on the basis of a mandate agreement or other similar agreement,
- is an elected official of a company trade union or a company trade union in a group company,
- his/her public or business activity raises conflict of interest with the PZU's business.

The President of the Management Board of the new term of office appointed before the current term elapses has the right to submit a motion to the Supervisory Board requesting appointment of the remaining Management Board Members of the new term of office before the current term elapses.

The consent to appointment of two Management Board Members, President and Member responsible for risk management is issued on PZU's motion by the Polish Financial Supervision Authority, unless the appointment applies to a person who obtained such consent in the previous term of office. If the motion pertains to a Management Board Member discharging a mandate, he/she may discharge the mandate in its existing scope until the regulatory authority issues its decision.

The mandate of the Management Board Member will expire no later than on the date of the Shareholder Meeting approving the financial statements for the most recent full financial year of the discharge of the function of Management Board Member. The mandate of the Management Board Member will also expire as a result of death, resignation or removal from the Management Board. In the case of a Management Board Member appointed before the expiration of a given term of office, his/her mandate expires simultaneously with the expiration of the mandates of the other Management Board Members.

### Composition of the PZU Management Board in 2022

As at 31 December 2022, the PZU Management Board was composed of eight Members.

On 4 February 2022, Krzysztof Szypuła tendered his resignation from the PZU Management Board.

On 27 April 2022, the PZU Supervisory Board appointed Piotr Nowak to the position of PZU Management Board Member, effective as of 28 April 2022.

The term of office of the PZU Management Board, encompassing the financial years 2020–2022, ended on 31 December 2022. On 16 December 2022, the PZU Supervisory Board appointed the Management Board for another term of office beginning 1 January 2023 and encompassing three full financial years 2023–2025. The individual and collective suitability assessments of PZU Management Board confirmed that both each Member of the Management Board and the Management Board as a whole have the appropriate knowledge and skills and meet all the suitability criteria necessary to perform their functions.

As of 1 January 2023, the composition of the Management Board for the new term of office was as follows:

- Beata Kozłowska-Chyła – President of the Management Board;
- Ernest Bejda – Management Board Member;
- Małgorzata Kot – Management Board Member;
- Krzysztof Kozłowski – Management Board Member;
- Tomasz Kulik – Management Board Member;
- Piotr Nowak – Management Board Member;
- Maciej Rapkiewicz – Management Board Member;
- Małgorzata Sadurska – Management Board Member.

As of the date of publication of this report the composition of the Management Board has not changed.

	Composition of the Management Board			
	1 January 2022	5 February 2022	28 April 2022	31 December 2022
Position				
President	Beata Kozłowska-Chyła	Beata Kozłowska-Chyła	Beata Kozłowska-Chyła	Beata Kozłowska-Chyła
Member	Ernest Bejda	Ernest Bejda	Ernest Bejda	Ernest Bejda
Member	Małgorzata Kot	Małgorzata Kot	Małgorzata Kot	Małgorzata Kot
Member	Krzysztof Kozłowski	Krzysztof Kozłowski	Krzysztof Kozłowski	Krzysztof Kozłowski
Member	Tomasz Kulik	Tomasz Kulik	Tomasz Kulik	Tomasz Kulik
Member	Maciej Rapkiewicz	Maciej Rapkiewicz	Piotr Nowak	Piotr Nowak
Member	Małgorzata Sadurska	Małgorzata Sadurska	Maciej Rapkiewicz	Maciej Rapkiewicz
Member	Krzysztof Szypuła		Małgorzata Sadurska	Małgorzata Sadurska

# 8. Corporate governance statement

## PZU Group Directors

PZU and PZU Życie have a common management model, under which there are positions of PZU Group Directors. The rules for the creation and appointment and dismissal of these positions are set forth in the companies' organizational regulations.

According to the adopted model, persons serving as PZU Życie Management Board Members may simultaneously be employed as PZU Group Directors in PZU. Similarly, persons serving as Members of the PZU Management Board may be simultaneously employed as PZU Group Directors in PZU Życie. In the adopted model, PZU Group Directors in PZU / PZU Życie are responsible for the same structures and business areas for which they are responsible as PZU / PZU Życie Management Board Members.

The following persons served as PZU Group Directors in PZU in 2022:

- Aleksandra Agatowska;
- Bartłomiej Litwińczuk;
- Dorota Macieja;
- Krzysztof Szypuła (from 4 February, 2022 to 31 December, 2022);
- Andrzej Jaworski (from 15 April, 2022).

The following persons served as PZU Group Directors in PZU Życie in 2022:

- Krzysztof Kozłowski;
- Małgorzata Sadurska (from 15 April, 2022);
- Piotr Nowak (from 28 April, 2022).

As of 1 January 2023, Sylvia Matusiak was appointed to the position of PZU Group Director at PZU.

As of 1 February 2023, Małgorzata Skibinska was appointed to the position of PZU Group Director at PZU and PZU Życie.

## CVs of Management Board Members and PZU Group Directors



### Beata Kozłowska-Chyła

President of the PZU Management Board from 2 October 2020 (from 12 March 2020 to 1 October 2020 – acting President of the PZU Management Board)

She graduated from legal studies at the Faculty of Law and Administration of the University of Warsaw. She received a doctoral degree in legal sciences. She is a lecturer at the Faculty of Law and Administration at the University of Warsaw in the Commercial Law Faculty. She is an attorney-at-law and a recommended arbitrator in the Court of Arbitration in the National Chamber of Commerce in Warsaw. She has served as a the PZU Supervisory Board Member, TFI PZU and PTE PZU Supervisory Board Member, and was twice a Member of the PZU Management Board. She also sat on the Management Board of PZU Życie. She also worked as the Deputy Director of the Legal and Licensing Department in the Pension Fund Regulatory Authority and she served as the President of the Management Board of Polskie Wydawnictwo Ekonomiczne S.A. Beata Kozłowska-Chyła is currently a chairwoman of the PZU Życie Supervisory Board and Bank Pekao Supervisory Board. She is also a member of the Legislative Council of the Prime Minister, a member of the Business Council of the President of the Republic of Poland, and a member of the Audit Committee of the Polish Chamber of Insurance and a member of the Supervisory Board of the Insurance Guarantee Fund. She also sits on the Council of the Polish Olympic Committee. She is the author of tens of scientific publications on company law, securities law and insurance law published in reputable Polish and foreign magazines. She has also authored articles for the purpose of popularization.



### Ernest Bejda

PZU Management Board Member since 4 March 2020 / PZU Życie Management Board Member since 25 August 2021 (earlier a PZU Group Director in PZU Życie from

4 May 2020 to 24 May 2021)

Graduate of the Faculty of Law and Administration at the Maria Curie-Skłodowska University in Lublin. He completed prosecutor and advocate trainee programs. Prior to his employment in the PZU Group he worked in the General Customs Inspectorate in Warsaw, and then he ran his own advocate practice. He cofounded the Central Anti-Corruption Bureau in which he served as its Deputy Head (2006-2009), and then headed it up (2016-2020). Supervisory Board Chairman

of PZU Centrum Operacji S.A., Supervisory Board Deputy Chairman of Alior Bank and Supervisory Board Member of the Polish Motor Insurers' Bureau.



### Małgorzata Kot

PZU Management Board Member since 10 September 2020 (previously PZU Group Director in PZU from 16 April to 9 September 2020) / PZU Życie Management Board Member from 16 April 2020

Graduate of the Department of Economic Sciences and Management at the Nicholas Copernicus University in Toruń. She completed her post-graduate studies at the Economic University in Poznań in the field of economic insurance and in the Warsaw School of Economics – the Professional Coach Academy and Executive Master of Business Administration at the Warsaw School of Management. She is a manager with more than twenty years of experience in the insurance industry in the sales of life and nonlife insurance. In 2001-2012 she held managerial positions in STU Ergo Hestia, PZU and HDI Asekuracja TU. Since 2012 she has been affiliated with TUIR Allianz Polska SA, where she served in the following functions: Director of the Department for Cooperation with Key Partners, Director of the Department for Cooperation with Multiagencies and Director of the Department for Cooperation with Key Partners and Bancassurance. She is currently a chairwoman of the Non-life Insurance Distribution Committee of the Polish Chamber of Insurance.



### Krzysztof Kozłowski

PZU Management Board Member since 4 August 2021 / PZU Group Director at PZU Życie since 4 August 2021

He holds a doctoral degree in law obtained in 2010 at the Faculty of Law and Administration of the Jagiellonian University. He has been an assistant professor at the Constitutional Law Department at the Faculty of Law and Administration of the Jagiellonian University since 2011. He has authored several dozen scientific publications and participated in overseas residencies, internships and research programs. In 2013 he was entered in the list of non-practicing attorneys. He has also passed the judge exam. From 2013 to 2015 he was an assistant judge of the Constitutional Court. From 2013 to 2015 he was a representative substitute in the Group of Independent Experts on the European Charter of Local Self-Government of the Council of Europe in Strasbourg. Vice-President of the Management Board of Bank Pekao S.A. overseeing the Strategy Division from April 2020 to August 2021. Chairman of the Supervisory Board in Grupa

Azoty Zakłady Chemiczne "Police" S.A. and Polskie Radio – Regionalna Rozgłośnia w Szczecinie "PR Szczecin" S.A.



### Tomasz Kulik

Member of the PZU Management Board since 14 October 2016 / Member of the PZU Życie Management Board since 19 October 2016

Graduate of the Faculty of Finance and Management at the Warsaw School of Economics. He received an MBA from the University of Illinois and completed the Warsaw - Illinois Executive MBA programme. He is a member of the Association of Chartered Certified Accountants (ACCA), and a graduate of the Advanced Management Program at Harvard Business School in Boston and ITL Neuroleadership Academy at ICAN Institute. He has been involved with the financial market since the beginning of his professional career, where he held numerous positions in regulated institutions of the insurance, banking and asset management sectors. He has been working for the PZU Group since 2012, where he holds the position of the Group's CFO and a member of the management board supervising the finance, capital management and investor relations areas. Previously, he was associated with Aviva Group (former Commercial Union) for a long time.



### Piotr Nowak

Member of the PZU Management Board since 28 April 2022 / PZU Group Director at PZU Życie since 28 April 2022

He graduated from the Faculty of Cybernetics at the Military University of Technology in Warsaw (2003) and from the SGH Warsaw School of Economics in Finance and Banking (2006). He also did his doctoral studies at SGH (2003-2005). He gained an Executive MBA degree at the Business School at the Warsaw University of Technology, and a CQF (Certificate in Quantitative Finance). He is a graduate of the "International Security" postgraduate program at Stanford University in the United States. He worked as a foreign exchange dealer at PKO Bank Polski from 2004, and from 2005 to 2006 he was employed at CALYON Corporate & Investment Bank London as a bond and derivatives specialist in Central and Eastern Europe. From 2006 to 2010, he served as a Vice President at a London-based hedge fund of the Swiss Re group, where he was responsible for managing a portfolio with a strategy for debt instruments, stock market index derivatives and emerging market currencies. In 2010-2011, he worked as a prop trader at Espirito Santo Investment Bank Poland,



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and from 2011 to 2014 he was employed at PKO TFI as a Deputy Director of the Debt Securities Portfolio Management Department. He was an economic expert at the Chancellery of the President of the Republic of Poland from February to August 2015, and then a senior portfolio manager at Money Makers TFI from October to December 2015. He served as an Exchequer Secretary to the Treasury in the Ministry of Finance from December 2015 to December 2020. He was an Advisor to the Managing Director of the International Monetary Fund in Washington and a Deputy Director of the Monetary Policy and Capital Markets Department at IMF since 2021. He held the position of the Minister for Economic Development and Technology from October 2021 to April 2022.



**Maciej Rapkiewicz**

Member of the PZU Management Board since 22 March 2016 / Member of the PZU Życie Management Board since 25 May 2016

Graduate of the Faculty of Law and Administration at the University of Łódź and post-graduate studies in business insurance, an MBA in Finance and Insurance and risk management. Associated with the PZU Group intermittently since 1998. From 2006 to 2009 Management Board Member and then Vice-President of the TFI PZU SA Management Board. Since 2015 he has worked for TFI BGK S.A., serving as a Management Board Member. He was also the President of the ŁSSE S.A. Management Board. He sat on the supervisory boards of domestic and foreign companies in the PZU Group. Presently, he serves as the Supervisory Board Chairman of PTE PZU S.A. and Supervisory Board Member of LINK4 TU S.A.



**Małgorzata Sadurska**

Member of the PZU Management Board from 13 June 2017 / Member of the PZU Życie Management Board from 19 June 2017 until 14 April 2022, and then PZU Group Director at PZU Życie

since 15 April 2022

She graduated from the Faculty of Law and Administration at the Maria Curie-Skłodowska University in Lublin and from the post-graduate program in Organization and Management at the Lublin School of Business. She completed her Master of Business Administration studies at the Faculty of Management at the Lublin University of Technology. The administration studies program was delivered in cooperation with the University of Minnesota in Minneapolis (US). As part of the program run by the American university, she also earned

a certificate in human resource management and marketing. She is also a graduate of the Strategic Leadership Academy and the Neuroleadership Academy at ICAN Institute. From 2002 to 2005, she was a Member of the Puławy County Board. In 2005-2015 she was a member of parliament in the Republic of Poland's Sejm. She was also a member of the National Council of the Judiciary of Poland and Supervisory Board Chairwoman of the ZUS Social Insurance Institution. She was a Secretary of State at the Chancellery of the Prime Minister in 2007. In 2015-2017, she served as Head of the Chancellery of the President of the Republic of Poland. She serves as the Supervisory Board Chairwoman of PZU TUW and Supervisory Board Member of Bank Pekao and LINK4.



**Krzysztof Szypuła**

Member of the PZU Management Board from 10 September 2020 to 4 February 2022 and PZU Group Director at PZU from 4 February 2022 to 31 December 2022 / Member of the PZU Życie

Management Board from 10 September 2020 to 31 December 2022

Graduate of the University of Lodz with a specialization in econometrics and statistics and of the Summer School of Actuarial Science at the University of Warsaw. He has worked in the financial services industry for 29 years. He worked for a long time for the Nationale-Nederlanden (ING) Group where he worked from 1994 to 2010 in Poland, the United States and Australia gaining experience in actuarial matters, financial management, IT projects and operations. Before joining the PZU Group he was associated with the Polish Branch of Prudential plc from the United Kingdom where he was responsible for product development and management and then with Allianz Polska. In the management board of Allianz insurance companies he was initially responsible for life and health products and later for sales management. Before taking up the function of Management Board Member in PZU and PZU Życie he served in the capacity of Managing Director for Product Strategy.



**Aleksandra Agatowska**

President of the PZU Życie Management Board since 15 February 2021 (Acting President of the PZU Życie Management Board from 19 February 2020 to 14 February 2021) / Member of the

PZU Życie Management Board from 25 March 2016 / Member of the PZU Management Board from 24 October 2019 until 19 February 2020 and PZU Group Director (from 25 March 2016 to

23 October 2019, and again since 20 February 2020). Graduate of the Jagiellonian University majoring in Economic Sociology and Market Research and Executive MBA at the Kozminski University in Warsaw. She also completed the Education Program: Implementing Winning Strategies (Columbia Business School), Managerial Finance (The London School of Economics and Political Science) and Strategic Change Management (Kellogg School of Management). She gained her professional experience working for ING Życie, ING Powszechne Towarzystwo Emerytalne and ING Spółka Dystrybucyjna. She also collaborated with the team of the Public Policy Evaluation and Analysis Center. For HDI (currently Warta S.A.), she managed the product marketing team, developing and executing sales support campaigns. Then she headed the Marketing Intelligence team at Sony Europe. At Philips S.A. she managed the Marketing and Business Intelligence team in 17 countries of the region. As an external consultant, she advised among others Aviva SA on the implementation of distribution channel projects. She also has experience in corporate governance. Currently, she serves as the Supervisory Board Chairwoman of Alior Bank.



**Bartłomiej Litwińczuk**

Member of the PZU Życie Management Board / PZU Group Director at PZU since 19 August 2016

Graduated from the Faculty of Law and Administration at the University of Warsaw. In 2009 he completed his advocate trainee program and passed the professional examination. Advocate in the Warsaw Bar Association. He specializes in civil law. He combines his business knowledge with extensive experience resulting from his provision of legal assistance services, in particular in cases related to commercial company law, copyright law, administrative law and criminal business law. In the past, he also served as an advisor to the Extraordinary Committee of the Sejm for changes in legal codes. He has experience in corporate governance. Moreover, he is a member of the regulatory authorities of commercial law companies.



**Andrzej Jaworski**

Member of the PZU Życie Management Board / PZU Group Director at PZU since 15 April 2022

A graduate of doctoral studies in political science at Cardinal

Stefan Wyszyński University in Warsaw. He completed a postgraduate program in economic policy, finance and banking at the College of Social and Media Culture in Toruń, in innovation and project management at the University of Commerce and Services (WSHiU) in Poznań, and postgraduate Executive MBA program at the University of Applied Sciences in Dresden and WSHiU in Poznań. He graduated in from the Adam Mickiewicz University in Poznań in Ethnology and Cultural Anthropology. He joined the PZU Group in 2016 as a Member of the PZU Management Board, and he has been a Member of the PZU Życie Management Board and a Member of the Supervisory Board of Pekao Investment Banking S.A., PTE PZU, PZU Ukraina since 2022. In 2020-2021, he served as a CEO of VRG S.A, which owns the following fashion brands: Vistula, Wólczanka, Bytom and Deni Cler, and the W. Kruk jewelry brand. He has held the position of the CEO of the Chamber of Commerce and Industry since 2019. Previously, he had been a Chairman of the Public Finance Committee (2015-2016), Deputy Chairman of the State Treasury Committee (2015-2016), Member of the Management Board of Krajowa Spółka Cukrowa S.A. [National Sugar Company] (2017-2018), Chairman of the Board of the "Memory and Identity" Institute since 2016, and CEO of Stocznia Gdańsk S.A. [Gdańsk Shipyard] (2006-2008).



**Dorota Macieja**

Member of the PZU Życie Management Board / PZU Group Director at PZU since 15 March 2017

Associated with the PZU Group since 2016. She initially served as a director supervising prevention and sponsorship at PZU and PZU Życie. She was appointed as a Member of the PZU Życie Management Board in 2017. One of her projects was the establishment of the Plain Language Department, which introduced significant changes in the way PZU communicates with its clients. In 2021, she initiated the foundation of the Sustainable Development Department, which prepared the ESG Strategy for 2021-2024. This strategy became part of the Group's strategy. It is based on the commitment that the PZU Group not only will achieve very good financial results but also will do so in a sustainable manner and with respect for environmental, social and governance issues. In 2022, as person in charge of the Real Estate Department, she supervised the relocation of the PZU and PZU Życie to the greenest building in the capital city.



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Previously, in 2010-2016, Dorota Macieja had coordinated and managed publishing and film production projects. For many years, she was a journalist for the most opinion-forming weeklies and radio stations, including Tygodnik Solidarność [“Solidarity Weekly”], Wprost [“Directly”] and Radio Wolna Europa [“Radio Free Europe/Radio Liberty”]. She published a book entitled Tygodnie Stonimskiego [“Stonimski’s Weeks”] in 2000. During martial law in Poland, she was associated with the underground publishing house “Wola”.



Sylwia Matusiak

Member of the Management Board of PZU Życie / Director of PZU Group at PZU since 1 January 2023

Sylwia Matusiak graduated from the University of Warsaw, majoring in political science. She also completed an MBA program at the Warsaw Management School. Until her appointment to the Management Board of PZU Życie, she served as Managing Director for Marketing, Sponsorship and Prevention. Before joining the PZU Group, she sat in the Management Board of the “Solidarity” Transport Hub. She previously worked at the National Bank of Poland, Warsaw Stock Exchange, and the Polish Government Information Center.



Małgorzata Skibińska

Director of PZU Group at PZU and PZU Życie since 1 February 2023

Małgorzata Skibińska graduated from the Faculty of Management and Marketing at the Warsaw Management School, majoring in state administration; she completed a post-graduate program for managers in the financial services sector at the Warsaw School of Economics. Małgorzata Skibińska has been working with the PZU Group since 2019. Until her appointment as the Director of the PZU Group, she exercised the position of the Managing Director for Product Development and Support, responsible for the product offering for PZU SA and PZU Życie for mass clients and SMEs. She has been active in the insurance market for 26 years. Her many years of managerial experience comes from work in various insurance companies, where she successfully managed many teams and pursued numerous projects involving the creation and management of product offerings with technological implementations, risk assessment and measurement, as well as process optimization. She also has strong experience in cooperating with banks and external partners. Before joining the PZU Group, for a few years, she was Director of the Department of

Property Product Development and Individual Underwriting at Aviva Group.

Management Board’s powers and operating rules

The Management Board exercises any and all rights related to managing PZU which are not otherwise reserved by law or the provisions of the Articles of Association to the Shareholder Meeting or the Supervisory Board. The Management Board manages and represents PZU. Two Management Board members acting jointly or one Management Board member acting with a commercial proxy, are authorized to make declarations of will and sign documents on behalf of PZU.

The Management Board informs the Supervisory Board about any significant matters regarding PZU’s operations.

PZU’s Articles of Association do not provide for the Management Board to have rights concerning decisions on issuing or redeeming shares.

The Management Board adopts its rules and regulations, which are approved by the Supervisory Board. New Rules and Regulations of the PZU Management Board were adopted on 1 September 2020 and endorsed by the Supervisory Board on 9 September 2020. The Supervisory Board endorsed the amendments to the Rules and Regulations of the Management Board on 10 February 2021.

The Rules and Regulations of the Management Board define:

- the scope of the Management Board’s powers and activities that require approval or confirmation by the Supervisory Board;
- powers of the President of the Management Board and other Management Board Members;
- principles and organization of the Management Board’s activities, including its meetings and decision making procedures;
- rights and obligations of Management Board Members upon dismissal.

Meetings of the Management Board are held at least once a fortnight. The Articles of Association provide that meetings may be held using means of direct remote communication.

The President of the Management Board directs the work of the Management Board. The President’s powers include in particular:

- defining the scope of responsibility of each Member of the Management Board;
- convening meetings of the Management Board;
- setting the agenda of meetings of the Management Board;

- applying to the Supervisory Board for appointing or dismissing Members of the Management Board;
- designating a person to administer the work of the Management Board during the absence of the President of the Management Board.

The President of the Management Board makes decisions in the form of orders and official instructions. Other Members of the Management Board administer the operations of the Company within the scope specified by the President.

Management Board makes decisions in the form of resolutions. The Management Board adopts resolutions only in the presence of the President of the Management Board or a person designated to head the work of the Management Board during the President’s absence.

Resolutions of the Management Board are adopted by an absolute majority of votes; in the event of a voting tie, the President has the casting vote. With the consent of the President of the Management Board, the Management Board may adopt resolutions by written procedure or using means of direct remote communication, if all the Management Board Members have received the draft resolution with justification and at least half of the Management Board Members took part in the adoption of the resolution.

Management Board resolutions are especially required for:

- adopting a long-term plan for the PZU’s development and operations;
- adopting an action and development plan for the PZU Group;
- adoption of an annual financial plan and a report on its implementation;
- accepting the Management Board’s report on the PZU’s activity and the Management Board’s report on the activity of the PZU Group and the PZU’s financial statements and consolidated financial statements of the PZU Group for the previous financial year;
- accepting the solvency and financial condition report of the PZU and the solvency and financial condition report of the PZU Group;
- accepting the PZU’s own risk and solvency assessment report and the PZU Group’s own risk and solvency assessment report;
- adoption of a report on representation expenditures and expenditures for legal, marketing, public relations and public communication services and management consulting services;
- adoption of a report on the application of best practices, as defined by the Prime Minister pursuant to the Act on Rules for Managing State Property of 16 December 2016,

- addressed to companies in which the State Treasury holds an equity stake;
- approval of a motion to distribute profit or cover loss;
- determining premiums in compulsory and voluntary insurance and the general terms and conditions of voluntary insurance;
- determination of the scope and size of outward reinsurance and the tasks for inward reinsurance;
- adoption of an annual audit and control plan and a report on its implementation with conclusions;
- determining the terms and conditions of investment, prevention and sponsoring activities;
- PZU granting sureties and guarantees, excluding guarantees and sureties which constitute insurance operations;
- PZU contracting credit facilities, PZU contracting or providing loans – excluding loans granted from the Company Social Benefits Fund and taking into account deviations specified in investment activity rules;
- appointment of a commercial proxy.

Along with the Management Board’s report on the Company’s activity, the following is prepared by the Management Board and provided to the relevant PZU’s corporate bodies.

- report on representation expenditures and expenditures for legal, marketing, public relations and public communication services and management consulting services;
- report on the application of best practices, as defined by the Prime Minister pursuant to the Act on Rules for Managing State Property, addressed to companies in which the State Treasury holds an equity stake.

The PZU Management Board held 65 meetings in 2022. Due to the COVID-19 pandemic meetings were held in the hybrid form – on-site and using means of direct remote communication, or using means of direct remote communication exclusively. In 2022 the PZU Management Board adopted 349 resolutions – both at meetings and by written procedure or using means of direct remote communication.

The following table presents the responsibilities of the Management Board Members and the PZU Group Directors in office at the end of 2022.



## 8. Corporate governance statement

Name	Function in the PZU Group	Scope of responsibility (as at 31 December 2022)
Beata Kozłowska-Chyła	President of the PZU Management Board since 2 October 2020 / Acting President of the PZU Management Board from 12 March to 1 October 2020	internal audit, compliance, PZU Group strategy, strategic analysis, corporate communication, reinsurance
Aleksandra Agatowska	Member of the PZU Management Board from 24 October 2019 until 19 February 2020 / PZU Group Director at PZU from 25 March 2016 to 23 October 2019, and again since 20 February 2020  President of the PZU Życie Management Board since 15 February 2021 / Acting President of the PZU Życie Management Board from 19 February 2020 to 14 February 2021 / Member of the PZU Życie Management Board from 25 March 2016	PZU and PZU Życie: client experience management  PZU Życie: internal audit, compliance, PZU Group strategy, strategic analysis, corporate communication, reinsurance, support for customer service processes
Ernest Bejda	Member of the PZU Management Board since 4 May 2020  Member of the PZU Życie Management Board since 25 August 2021 / PZU Group Director at PZU Życie from 4 May 2020 to 24 August 2021	PZU and PZU Życie: security, purchasing, analysis and efficiency of processes, insurance operations, claims and benefits handling, assistance, remote customer service, digitization of processes, development of digital services and platforms, after-sales customer service
Małgorzata Kot	Member of the PZU Management Board since 10 September 2020 / Director of the PZU Group at PZU from 16 April to 9 September 2020  Member of the PZU Życie Management Board since 16 April 2020	PZU and PZU Życie: PZU branch network management, retail sales (channels: exclusive, multi-agency, brokerage), remote sales, retail distribution strategy, retail sales support, sales analysis  PZU: retail sales (dealer channel) PZU Życie: agency sales, corporate sales
Krzysztof Kozłowski	PZU Management Board Member since 4 August 2021  PZU Group Director at PZU Życie since 4 August 2021	PZU and PZU Życie: corporate management, corporate governance in the PZU Group, administration, project management  PZU: business development of the PZU Group
Tomasz Kulik	Member of the PZU Management Board since 14 October 2016  Member of the PZU Życie Management Board since 19 October 2016	PZU and PZU Życie: actuarial science, finance
Piotr Nowak	Member of the PZU Management Board since 28 April 2022 PZU Group Director at PZU Życie since 28 April 2022	PZU and PZU Życie: investment, IT, innovation
Maciej Rapkiewicz	Member of the PZU Management Board since 22 March 2016  Member of the PZU Życie Management Board since 25 May 2016	PZU and PZU Życie: risk

Name	Function in the PZU Group	Scope of responsibility (as at 31 December 2022)
Małgorzata Sadurska	Member of the PZU Management Board from 13 June 2017  PZU Group Director at PZU Życie since 15 April 2022 / Member of the PZU Życie Management Board from 19 June 2017 until 14 April 2022	PZU and PZU Życie: assurbanking, bancassurance and strategic partnership programs, corporate business development, marketing, sponsorship, prevention  PZU: corporate sales, corporate product management, analysis, underwriting and risk assessment of corporate insurance, financial risk insurance, corporate business services  PZU Życie: protection banking products, investment products, investment product sales
Krzysztof Szypuła	PZU Group Director at PZU from 4 February 2022 to 31 December 2022 / Member of the PZU Management Board from 10 September 2020 to 4 February 2022  Member of the PZU Życie Management Board from 10 September 2020 to 31 December 2022	PZU and PZU Życie: health product management, strategic management of product offering, underwriting, CRM actuarial tariff  PZU: management of mass products and insurance programs  PZU Życie: management of group and individual products
Andrzej Jaworski	Member of the PZU Życie Management Board since 15 April 2022  PZU Group Director at PZU since 15 April 2022	PZU and PZU Życie: health insurance
Bartłomiej Litwińczuk	Member of the PZU Życie Management Board since 19 August 2016  PZU Group Director at PZU since 19 August 2016	PZU and PZU Życie: HR, consulting and legal services
Dorota Macieja	Member of the PZU Życie Management Board since 15 March 2017  PZU Group Director at PZU since 15 March 2017	PZU and PZU Życie: sustainable development, customer communication, real estate

8. Corporate governance statement

Committees

Committees are collegial structures operating at PZU and PZU Życie. They are established and disbanded by the Management Board. Committees issue opinions and make decisions in

matters within their area of operation defined in the rules and regulations of a given committee.

In 2022, there were the following standing committees, with the Management Board Members and PZU Group Directors participating in their work:

1) PZU Pricing Committee

	PZU Pricing Committee
Purpose	To set out the pricing policy in line with the PZU strategy
Tasks	<ul style="list-style-type: none"><li>determining pricing strategy and tactics by preparing guidelines for the PZU Central Office’s organizational units responsible for pricing product groups or insurance products in terms of price rates and product profitability assumptions;</li><li>monitoring pricing actions taken by the directors authorized by the Management Board;</li><li>monitoring main indicators of key insurance products, including profitability and claims ratio.</li><li>adopting a position on other key issues that influence product profitability and tariff mechanisms.</li></ul>

2) Data Governance Committee

	Data Governance Committee
Purpose	To coordinate Data Governance processes at PZU and PZU Życie
Tasks	<ul style="list-style-type: none"><li>supervising the implementation of Guideline 8 specified in the “Guidelines on the Management of Information Technology and ICT Environment Security for Insurance and Reinsurance Undertakings” dated 16 December 2014, issued by the Polish Financial Supervision Authority;</li><li>setting a Data Governance Strategy;</li><li>approving draft Data Governance Policy and recommending its adoption by the Management Board;</li><li>approving the draft Solvency II Data Quality Management Policy and recommending its adoption by the Management Board;</li><li>controlling and enforcing the rules laid down in the Data Governance Policy and the Solvency II Data Quality Management Policy;</li><li>monitoring the level of data quality and the effectiveness of data quality process on the basis of annual reports by the Data Quality Coordinator;</li><li>issuing recommendations on the implementation of significant data quality improvement initiatives on the basis of the Data Governance Coordinator’s recommendations; prioritizing them and specifying the source of funding;</li><li>deciding disputes over data quality, as presented by the Data Governance Coordinator;</li><li>accepting the assignment of departments and organizational units of PZU and PZU Życie to the function of Data Owner;</li><li>deciding whether to deviate from the rules set forth in the Data Governance Policy and the Solvency II Data Quality Management Policy.</li></ul>

3) Innovations Committee

	Innovations Committee
Purpose	To coordinate and manage overall innovation at PZU and PZU Życie
Tasks	<ul style="list-style-type: none"><li>reviewing and providing guidance for the PZU Group Innovation Strategy;</li><li>identifying areas of innovation exploration;</li><li>managing the portfolio of potential and ongoing innovations, in particular making decisions recognizing the subject of purchases as innovation and approving purchases in accordance with internal acts applicable at PZU and PZU Życie;</li><li>approving rules and regulations of competitions and choosing winners of innovation competitions.</li></ul>

4) Investment Committee

	Investment Committee
Tasks	<ul style="list-style-type: none"><li>making investment decisions:<ul style="list-style-type: none"><li>on individual transactions to the extent specified in the Annex to the Investment Rules and Regulations;</li><li>on individual transactions, regardless of the amount limits set forth in the Annex to the Investment Rules and Regulations, within the scope of its competence provided that the opinion of the Risk Department is negative.</li><li>on the size of assets denominated in foreign currencies and on the foreign currency position;</li></ul></li><li>reviewing investment decisions;<ul style="list-style-type: none"><li>reviewing transactions above PLN 50 million carried out within TFI PZU funds where PZU and/or PZU Życie are the only participants – upon the request of TFI PZU;</li><li>reviewing investment decisions upon the request of the Management Board Member supervising the Investment Division;</li></ul></li><li>setting exposure limits by specifying credit limits and limits of concentration on a single entity or a group of entities up to and including PLN 600 million;</li><li>deciding on risk acceptance in the area of financial insurance – within the scope as specified in the Resolution of the PZU Management Board determining authorizations to accept risk in the area of financial insurance;</li><li>deciding how to vote at a meeting of the investment fund participants or investors if the subject of such a meeting is the fund’s investment decision, issuance of new investment certificates, issuance of bonds, establishment of additional investment limits, liquidation of the fund, merger of funds, or acquisition of the investment fund management by another company;</li><li>reviewing voting instructions for meetings of shareholders, partners, bondholders, participants or investors of investment funds if the subject of such meetings is different than matters specified in the preceding point – upon request of the President of the Management Board or the Management Board Member supervising the Head Office’s organizational unit that exercises corporate governance over the entity in question.</li></ul>





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5) Cost Committee

	Cost Committee
Purpose	To coordinate efforts to reduce PZU's and PZU Życie's costs, in particular fixed costs of insurance business, in line with PZU Group strategy.
Tasks	<ul style="list-style-type: none"><li>identifying areas of PZU's and PZU Życie's operations where cost reduction and savings can be achieved, in particular with regard to fixed costs;</li><li>setting out the cost strategy by preparing guidelines for departments and organizational units;</li><li>monitoring the level of costs in each area of PZU's and PZU Życie's operations;</li><li>adopting a position on key cost reduction issues;</li><li>cyclical monitoring of the effects of the cost optimization solutions as implemented and evaluating the achievement of goals set for the working teams;</li><li>deciding whether to apply for special awards to members of working teams.</li></ul>

6) Actuarial, Operational and Model Risk Committee

	Actuarial, Operational and Model Risk Committee
Scope	<p>Taking actions in the area of actuarial, operational and model risk (the latter applies to the models covered by the Model Risk Management Policy at PZU and PZU Życie) as regards:</p> <ul style="list-style-type: none"><li>acceptable sizes of risks;</li><li>risk management principles and methodologies;</li><li>management activities in the risk monitoring process.</li></ul>
Tasks	<ul style="list-style-type: none"><li>reviewing draft internal rules, regulations or decisions submitted to the Management Board;</li><li>approving the model validation plan;</li><li>accepting model validation results and validation recommendations;</li><li>approving key operational risk indicators;</li><li>approving the operational risk self-assessment study report;</li><li>issuing recommendations for the relevant departments and organizational units of PZU and PZU Życie regarding management activities in the following areas: model risk, significant operational risk incidents, actuarial risk, and return on actuarial risk capital;</li><li>recommending relevant departments and organizational units of PZU and PZU Życie to take actions with regard to product profitability if it is below certain thresholds;</li><li>approving key actuarial risk indicators;</li><li>recommending reinsurance program assumptions to the Management Board;</li><li>monitoring the implementation of the Management Board's decisions and the Committee's decisions regarding the scope of the Committee's activities, in particular through:<ul style="list-style-type: none"><li>monitoring mitigation activities for operational risks which have been rated at increased or higher level in the self-assessment study,</li><li>being informed about the results of operational risk scenario analyses and monitoring risk mitigation activities as planned;</li><li>being informed about the return on actuarial risk capital (Return on Risk Capital Report),</li><li>being informed about PZU's and PZU Życie's product profitability.</li></ul></li></ul>

7) PZU Group's Risk Committee

	PZU Group's Risk Committee
Purpose	<p>To coordinate activities and supervise the risk management system and processes present in PZU, PZU Życie and PZU Group, in particular at the level of the financial conglomerate of the PZU Group (hereinafter "financial conglomerate").</p>
Tasks	<p>The scope of tasks:</p> <ul style="list-style-type: none"><li>monitoring the level of capital adequacy of the PZU Group or its entities;</li><li>supervising the risk management system of the PZU Group or its entities;</li><li>supervising the management system and processes for the following risks:<ul style="list-style-type: none"><li>actuarial risk,</li><li>market risk,</li><li>credit risk,</li><li>operational risk, with a focus on IT and security risk,</li><li>compliance risk,</li><li>other risks that may affect the solvency or reputation of the PZU Group or its entitiesin terms of monitoring and assessing these risks as well as deciding whether they should be accepted or mitigated;</li></ul></li><li>exercising supervision in the context of the PZU Group functioning as a financial conglomerate, in particular supervising:<ul style="list-style-type: none"><li>capital adequacy of the financial conglomerate and the strategy in this respect;</li><li>area of intragroup transactions;</li><li>area of risk concentration in the financial conglomerate;</li><li>area of risk management and internal control;</li></ul></li><li>supervising the preparation of reports for regulatory authorities or other reports as stipulated by applicable laws and related to the scope of the Committee's tasks</li></ul> <p>this supervision is exercised, in particular, through:</p> <ul style="list-style-type: none"><li>providing the Management Board with opinions and recommendations on the risk strategies, policies and procedures;</li><li>monitoring the size of risk appetite, and providing the Management Board with recommendations on the size of risk appetite, including on its changes;</li><li>setting limits and recommending actions to mitigate risks;</li><li>accepting quarterly risk reports;</li><li>accepting the report on the intragroup transactions in the financial conglomerate before it is submitted to the regulatory authority;</li><li>reviewing transactions and business initiatives that can affect the level of risk or solvency of the PZU Group or its entities;</li><li>accepting the report on the significant risk concentration at the level of the financial conglomerate before it is submitted to the regulatory authority;</li><li>Providing the Management Board with the opinion and recommendations on the following:<ul style="list-style-type: none"><li>regulations ensuring the effectiveness of risk management and covering, in particular, necessary actions to be taken in regulated entities to measure, analyze and control risk at the financial conglomerate level,</li><li>rules of conduct regarding the preparation and development of relevant recovery and restructuring plans and arrangements, as the need may be,</li><li>capital adequacy procedures to determine and measure the risk level and identify the level of own funds or own resources appropriate for that risk,</li><li>information and accounting procedures to effectively identify and control intragroup transactions in the financial conglomerate and cases of significant risk concentration,</li><li>internal control procedures to ensure the effective acquisition and transmission of all data and information that may be relevant for the purposes of supplementary supervision,</li><li>PZU Group's corrective measures plan;</li></ul></li><li>reviewing corrective measures plans of the PZU Group's entities;</li><li>accepting the ORSA report of the PZU Group, PZU and PZU Życie;</li><li>accepting tress testing scenarios for purposes of ORSA or the PZU Group's corrective measures plan;</li><li>accepting the capital adequacy report of the PZU Group, PZU and PZU Życie;</li><li>monitoring and recommending the size of risk appetite (including its changes) for the PZU Group or its entities;</li><li>reviewing action proposals in the area of capital management in the PZU Group or its entities;</li><li>monitoring the risk level in the PZU Group's entities, taking into account stress tests and BION assessments;</li><li>providing the PZU Group's entities with recommendations on risks and risk concentration.</li></ul>



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## 8) Investment Risk Committee

	Investment Risk Committee
Scope	<p>Taking actions in the area of market risk, credit risk and concentrations regarding:</p> <ul style="list-style-type: none"><li>• acceptable sizes of risks,</li><li>• risk management principles and methodologies,</li><li>• taking management actions in the process of risk management at the level of individual exposures, investment portfolios and financial insurance where the credit risk is present.</li></ul>
Tasks	<ul style="list-style-type: none"><li>• reviewing draft resolutions or communications to be submitted to the Management Board;</li><li>• determining the distribution of the maximum allocation of the tolerance for the above risks among organizational structures and investment managing entities;</li><li>• approving documents regarding risk management principles and methodologies;</li><li>• deciding on the application of individual deviations from management principles and methodologies for the above risks;</li><li>• establishing rules for cyclical reporting and monitoring of credit and market risks of each PZU's and PZU Życie's portfolios;</li><li>• approving investment targets and guidelines or investment restrictions with regard to risk limits for PZU's and PZU Życie's organizational units and investment managing entities;</li><li>• specifying credit limits and limits of concentration on a single entity or a group of entities above PLN 600 million;</li><li>• setting limits and restrictions on exposure to each type of financial insurance;</li><li>• setting limits on exposure to the portfolios of loans and credits granted to bank clients as a result of cooperation in the field of bank credit insurance;</li><li>• setting limits on the concentration of exposures to countries, sectors or industries and other aggregate exposures;</li><li>• monitoring the implementation of the Management Board's decisions and the Committee's decisions regarding the scope of the Committee's activities, in particular through endorsing reports on:<ul style="list-style-type: none"><li>- risks of PZU's and PZU Życie's exposures to foreign countries and to sectors and industries,</li><li>- risks of each PZU's and PZU Życie's investment portfolio,</li><li>- financial insurance portfolios where the credit risk is present.</li></ul></li></ul>

## 9) Sponsorship, Prevention and CSR Committee

	Sponsorship, Prevention and CSR Committee
Purpose	<p>To ensure that PZU and PZU Życie properly conduct sponsorship, prevention and CSR activities, as well as to supervise these areas and ensure consistency of the activities</p>
Tasks	<ul style="list-style-type: none"><li>• processing applications for sponsorship or prevention actions in accordance with the PZU's i PZU Życie's Sponsorship or Prevention Rules and Regulations;</li><li>• specifying the substantive unit whose budget is used for a sponsorship or prevention action in question;</li><li>• accepting reports on sponsorship or prevention actions completed in a given year by PZU and PZU Życie;</li><li>• monitoring sponsorship and prevention actions, in particular those of the value equal to and exceeding PLN 1,000,000 gross separately for PZU or PZU Życie;</li><li>• deciding whether to deviate from the rules set forth in the Sponsorship or Prevention Rules and Regulations;</li><li>• laying down detailed rules and guidelines for the performance of prevention actions;</li><li>• setting out a model prevention clause to be applied in the insurance offering and accepting a prevention clause that deviates from the model one;</li><li>• supervising the performance of CSR tasks.</li></ul>

## 10) Property Sales Committee

	Property Sales Committee
Purpose	<p>To ensure proper implementation of the sales process of real property of PZU and PZU Życie.</p>
Tasks	<ul style="list-style-type: none"><li>• to issue recommendations and take decisions regarding the sale of real property within the scope provided for in the "Sales process of real property" adopted under a resolution of the Management Board;</li><li>• to take other decisions connected with the real property sales process.</li></ul>

## 11) Procurement Committee

	Procurement Committee
Purpose	<p>To facilitate the goods and services supplier selection procedure and monitor cooperation with suppliers following the PZU Group's strategy.</p>
Tasks	<ul style="list-style-type: none"><li>• to take decisions regarding handling procurement demands or the final shape of the description of the subject matter of the procurement, upon the request of the Purchasing Department, in the event that such description may not be agreed upon between the Purchasing Department and the ordering unit or project;</li><li>• to recommend additional activities or provide additional information by the ordering unit, project of the Purchasing Department, within the specified time limit, provided that such activities are required to take the decision on the final form of the demand;</li><li>• to decide whether to initiate the renegotiation process regarding terms and conditions of a contract which is in force at that time or whether to terminate a contract, upon a justified request of the Purchasing Department, in the absence of an agreement between the Purchasing Department and a business owner of a given matter;</li><li>• to control certain purchasing projects implemented without the Purchasing Department, or to order the Purchasing Department to conduct such a control;</li><li>• to decide not to invite a tenderer to join the purchasing procedure, or to suspend or limit cooperation with a supplier;</li><li>• to decide to exclude a tenderer in the course of the process of selecting suppliers in the event referred to in the Goods and Services Supplier Selection Procedure or the Goods and Services Supplier Selection Procedure under the New Procurement Model.</li></ul>

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12) Asset and Liability Management Committee

	Asset and Liability Management Committee
Tasks	<ul style="list-style-type: none"><li>to issue opinions on decisions regarding the strategic structure of deposits to ensure that PZU and PZU Życie have an appropriate level of security, financial liquidity, profitability and investment portfolio quality, and to provide recommendations for management boards or organizational structures of PZU and PZU Życie, including:<ul style="list-style-type: none"><li>issuing opinions on and recommending an investment strategy,</li><li>recommending levels of technical rates,</li><li>recommending actions aimed at increasing own funds or securing liquidity;</li></ul></li><li>taking decisions on:<ul style="list-style-type: none"><li>principles of managing the Company's financial liquidity,</li><li>investment objectives and guidelines or investment limits and benchmarks for organizational units of PZU and PZU Życie and entities managing deposits within the PZU Group,</li><li>matching assets to liabilities and the binding asset structure,</li><li>regulations on sustainable development in terms of investment activities,</li></ul>including:<ul style="list-style-type: none"><li>approving model asset allocation for a given year and deviation limits under the investment strategy approved by the Management Board,</li><li>approving investment objectives and guidelines or investment limits and benchmarks of organizational structures of PZU and PZU Życie and entities managing deposits,</li><li>imposing limitations on decisions taken by the Management Board member supervising the Investment Division,</li><li>approving methodologies, rules or policies pertaining to liquidity management,</li><li>approving rules for matching assets to liabilities, and methodologies for matching assets to liabilities,</li><li>approving methodologies and rules or politics pertaining to sustainable development in terms of investment activities.</li></ul></li></ul>

13) Initiatives Management Committee

	Initiatives Management Committee
Purpose	To supervise and determine directions of action in terms of managing initiatives within the PZU and PZU Życie.
Tasks	<p>In particular:</p> <ul style="list-style-type: none"><li>approving the distribution of the budget allocated for projects in the main business areas;</li><li>approving the allocation of IT capacity, allocated for the implementation of Initiatives for a given fiscal year, for project activities and ongoing operations of PZU and PZU Życie, taking into consideration dedicate areas and Business Architect Councils (BAC – teams determining priorities of operations, who implement initiatives within dedicated areas and allocated IT capacity);</li></ul> <p>Other tasks:</p> <ul style="list-style-type: none"><li>approving rules for initiative prioritization;</li><li>approving rules for cooperation within IT capacity management;</li><li>prioritization of implemented projects and taking deciding on IT capacity allocation in terms of the determined priorities;</li><li>taking directed decisions related to IT capacity and division of IT capacity within the ongoing operations of PZU and PZU Życie;;</li></ul>

	Initiatives Management Committee
	<ul style="list-style-type: none"><li>taking directed decisions related to amending the budget distribution allocated to projects;</li><li>deciding on the creation, change and liquidation of dedicated areas and BACs together with their allocated IT capacity;</li><li>taking directed decision on the implementation of new projects – in the event that this implementation impacts the adopted IT capacity distribution, time schedule of the initiative or the adopted project budget distribution;</li><li>receiving information on the use of the budget allocated for projects and taking directed decisions in this regard;</li><li>receiving information on the use of IT capacity allocated for initiatives in a given financial year.</li></ul>

14) Crisis Management Team

	Crisis Management Team
Purpose	<ul style="list-style-type: none"><li>to supervise the operation of the business continuity management system of PZU and PZU Życie;</li><li>to manage the crisis situation at PZU and PZU Życie</li></ul>
Tasks	<p>The tasks within the supervision of the business continuity management system:</p> <ul style="list-style-type: none"><li>ongoing supervision over the business continuity management system at PZU and PZU Życie, and issuing recommendations pertaining to tasks and directions of development in this regard;</li><li>accepting tasks and directions for development of the business continuity management system during regular meetings of the Team, or in the circulation mode by way of a written decision of acceptance provided by e-mail by Team members.</li></ul> <p>Tasks within crisis management:</p> <ul style="list-style-type: none"><li>assessing, analyzing and forecasting results of occurring events, in particular financial losses, non-financial losses or the impact on the operation of PZU and PZU Życie;</li><li>monitoring the external and internal environment of PZU and PZU Życie, taking decisions to manage the crisis situation, and supervising and coordinating works related to implementation of such decisions;</li><li>ensuring resources and funds, including financial ones, to implemented the developed solutions;</li><li>cooperating or providing assistance in measures aimed at limiting consequences of undesirable events in other PZU Group entities, having consulted their managing bodies;</li><li>maintaining ongoing communication within PZU and PZU Życie, including the Management Board, other PZU Group entities, and the PZU Group spokesperson, in terms of external information campaigns.</li></ul>





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Below are represented functions discharged by Management Board Members and PZU Group Directors in standing committees as at the end of 2022.

Name	Contribution to the work of the committees (as at 31 December 2022)
Beata Kozłowska-Chyła President of the PZU Management Board	Head of the Crisis Management Team Committee Deputy Chair: PZU Group's Risk Committee Committee Member: Investment Risk Committee, Initiatives Management Committee
Aleksandra Agatowska President of the PZU Życie Management Board / PZU Group Director at PZU	Deputy Head of the Crisis Management Team Committee Member: PZU Group's Risk Committee, Investment Risk Committee, Asset and Liability Management Committee, Initiatives Management Committee
Ernest Bejda Member of the PZU Management Board / Member of the PZU Życie Management Board	Member of the Crisis Management Team for Security Committee Chair: Procurement Committee Committee Deputy Chair: Actuarial, Operational and Model Risk Committee Committee Member: Data Governance Committee, Investment Committee, PZU Group's Risk Committee, Investment Risk Committee, Sponsorship, Prevention and CSR Committee, Property Sales Committee, Asset and Liability Management Committee, Initiatives Management Committee
Małgorzata Kot Member of the PZU Management Board / Member of the PZU Życie Management Board	Committee Member: PZU Pricing Committee, Procurement Committee, Initiatives Management Committee
Krzysztof Kozłowski Member of the PZU Management Board / PZU Group Director in PZU Życie	Member of the Crisis Management Team for Corporate and Administration Committee Member: Innovations Committee, PZU Group's Risk Committee, Investment Risk Committee, Initiatives Management Committee
Tomasz Kulik Member of the PZU Management Board / Member of the PZU Życie Management Board	Member of the Crisis Management Team for Finance Committee Chair: Data Governance Committee, Cost Committee, Asset and Liability Management Committee Committee Deputy Chair: PZU Pricing Committee, Investment Committee, Procurement Committee Committee Member: Actuarial, Operational and Model Risk Committee, PZU Group's Risk Committee, PZU Group's Risk Committee, Investment Risk Committee, Property Sales Committee, Initiatives Management Committee
Piotr Nowak Member of the PZU Management Board / PZU Group Director in PZU Życie	Member of the Crisis Management Team for IT Committee Chair: Innovations Committee, Innovations Committee, Initiatives Management Committee Committee Deputy Chair: Data Governance Committee, Investment Risk Committee, Asset and Liability Management Committee Committee Member: Actuarial, Operational and Model Risk Committee, PZU Group's Risk Committee, Procurement Committee
Maciej Rapkiewicz Member of the PZU Management Board / Member of the PZU Życie Management Board	Committee Chair: Actuarial, Operational and Model Risk Committee, PZU Group's Risk Committee, Investment Risk Committee Committee Member: Data Governance Committee, Investment Committee, Asset and Liability Management Committee

Name	Contribution to the work of the committees (as at 31 December 2022)
Małgorzata Sadurska Member of the PZU Management Board / PZU Group Director in PZU Życie	Member of the Crisis Management Team for Contacts with Strategic Partners Committee Member: PZU Pricing Committee, Data Governance Committee, Investment Committee, Actuarial, Operational and Model Risk Committee, PZU Group's Risk Committee, Investment Risk Committee, PZU Group's Risk Committee, Investment Risk Committee
Krzysztof Szypuła Member of the PZU Życie Management Board / PZU Group Director at PZU	Committee Chair: PZU Pricing Committee Committee Member: Data Governance Committee, Innovations Committee, Actuarial, Operational and Model Risk Committee, Asset and Liability Management Committee, Initiatives Management Committee
Andrzej Jaworski Member of the PZU Życie Management Board / PZU Group Director in PZU	-
Bartłomiej Litwińczuk Member of the PZU Życie Management Board / PZU Group Director in PZU	Member of the Crisis Management Team for Legal and HR Committee Member: Actuarial, Operational and Model Risk Committee, PZU Group's Risk Committee
Dorota Macieja Member of the PZU Życie Management Board / PZU Group Director in PZU	Crisis Management Team for Real Property Committee Chair: Property Sales Committee

8.9. Policy of compensation of  
supervisory and management bodies

The compensation policy implemented by PZU supports attainment of short-term and long-term goals specified in the PZU Group strategy both in term of achieving financial objectives and the Company's contribution to sustainable development. Transparent, fair, consistent and non-discriminatory compensation practices help to motivate and retain members of supervisory and management bodies, senior management and key employees.

Determination process

- The Shareholder Meeting of PZU decides by way of resolutions on the policy of compensating PZU Supervisory Board and PZU Management Board members.
- The PZU Supervisory Board takes into account recommendations of the Nomination and Compensation Committee to determine the compensation rules, and compensations of the PZU Management Board members, including its President. The compensation is related to the implementation of objectives determined under the PZU Group strategy, thereby it contributes to the attainment of the Company's long-term goals.
- The PZU Management Board determines the rules of compensating PZU Group Directors who are at the same time members of the PZU Życie Management Board as well

as the policy for compensating senior management and other employees.

Supervisory Board compensation

As at 31 December 2022, PZU followed the Policy for Compensating PZU Management Board and Supervisory Board Members adopted on 26 May 2020 under a resolution of the Shareholder Meeting no. 36/2020. The monthly compensation of Supervisory Board Members was set in Resolution No. 5/2017 adopted by PZU's Extraordinary Shareholder Meeting on 8 February 2017 on the rules for setting the compensation of the Supervisory Board Members, as amended by Resolution No. 37/2019 adopted by PZU's Ordinary Shareholder Meeting on 24 May 2019.

Compensation rules

The monthly compensation of Supervisory Board members was determined as the product of the base amount referred to in Article 1(3)(11) of the Act of 9 June 2016 on the Rules for Shaping the Compensation of Persons Managing Some Companies (i.e. average monthly compensation in the corporate sector without distributions of bonuses from profit in Q4 of the previous year, announced by the President of Statistics Poland (GUS)), and the following multiplier of 2.75.

The monthly compensation set this way is increased for:

- The Supervisory Board Chairperson by 10%,



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- The Supervisory Board Deputy Chairperson by 9%,
- The Supervisory Board Secretary by 8%,
- The Chairpersons of Supervisory Board committees by 9%, while the additional compensation does not add up.

Amount of compensation

The table below shows compensation or non-cash benefits paid or transferred in 2020 or 2019 to the current and former Supervisory Board Members.

Compensation and other short-term employee benefits paid by PZU (PLN 000s)	1 January – 31 December 2021	1 January – 31 December 2022
Supervisory Board	2,134	2,381
Robert Jastrzębski	203	224
Paweł Górecki	203	224
Robert Śnitko	203	224
Marcin Chłudziński	187	205
Agata Górnicka	187	205
Elżbieta Mączyńska-Ziemacka	187	205
Krzysztof Opolski	203	224
Radosław Sierpiński	41	241 <sup>1)</sup>
Piotr Wachowiak	n/a	68
Józef Wierzbowski	187	205
Maciej Zaborowski	187	205
Paweł Mucha	112	151
Maciej Łopiński	89	n/a
Tomasz Kuczur	145	n/a

1) including PLN 36 thousand for serving as a member of the Scientific Council at PZU Health

Composition of the Management Board

The rules for compensating Management Board members are shaped by the Supervisory Board in accordance with Resolution No. 4 adopted by PZU’s Extraordinary Shareholder Meeting on 8 February 2017 on the rules for setting the compensation of the Management Board members (as amended), Resolution No. 36 adopted by PZU’s Ordinary Shareholder Meeting on 26 May 2020 on the “Compensation policy for the PZU SA Management Board and Supervisory Board Members” and the requirements set forth in the Act of 9 June 2016 on the Rules for Shaping the Compensation of Persons Managing Some Companies.

Compensation rules

The total compensation due to a Management Board member for rendering management services and discharging other obligations ensuing from the Management Services Provision Agreement concluded for the term of serving in the Company’s Management Board consists of the following:

- fixed compensation – flat monthly base compensation (for a calendar month) that is within the range of seven times to fifteen times the basis of assessment (i.e. average monthly compensation in the corporate sector without distributions of bonuses from profit in Q4 of the previous year, announced by the President of Statistics Poland (GUS)), referred to in Article 1(3)(11) of the Act of 9 June 2016 on the Rules for Shaping the Compensation of Persons Managing Certain Companies;
- variable compensation – supplementary compensation for a given financial year depending on the extent to which management objectives, determined every year by the Supervisory Board, from the catalog which comprises, among others, improvement of economic and financial indicators or taking actions which consider social interests, including those which allow the Company to contribute to environmental protection.

The variable compensation is due when:

- the Supervisory Board determines that all conditions for granting the variable compensation have been satisfied;
- the Shareholder Meeting approves the PZU Activity Report and the financial statements for the previous financial year;
- the Shareholder Meeting grants discharge for the completion of obligations.

The variable compensation for a given financial year may not exceed 100% of the annual fixed compensation from the previous year for the calculations of the due variable compensation are made. The amount of 40% of variable compensation is granted as deferred variable compensation. Deferred variable compensation is paid for the period of

three consecutive years. With expiration of 12, 24 and 36 months from the date it was granted, a Management Board member may acquire the right to 1/3 of the portion of deferred variable compensation for a given financial year, provided that during this period no circumstances arise that prove that the conditions for payment of a given portion of variable compensation have not been satisfied.

PZU has the right to a claim for reimbursement (either in full or in the relevant part) of the variable compensation paid if, after its payment, it is shown that (either in full or in the relevant part, respectively) it was granted to a Management Board member on the basis of data that proved untrue.

In the event that an agreement with a Management Board member is dissolved or terminated for reasons other than violation of the basic obligations, the Management Board member may also be awarded severance pay of not more than three times the fixed compensation, provided that the member held their function for at least 12 months prior to agreement termination. The severance pay is not due to a Management Board member in the event that after agreement termination that person continues to perform or assumes the function of Management Board member of a company within the PZU Group.

The Supervisory Board may also award by way of agreement with a Management Board member the right to the same benefits as those due to employees, in particular, supplementary retirement and disability or early retirement plans.

Management objectives for 2022

The management objectives for 2022 were determined by the Supervisory Board taking into consideration strategic objectives and indicators of their performance specified in the PZU Group Strategy for 2021-2024, and they comprise:

- improvement of economic and financial indicators, such as the PZU Group financial result attributable to the parent company, return on equity (ROE);
- taking measures which account for social interests, including those which allow the Company to contribute to environmental protection;
- increase in the PZU Group value determined as the level of implementation of key measures of the PZU Group Strategy, presenting the value of PZU Group, for instance the net financial result of the banking segment attributable to the PZU Group, operating margin of group insurance and individually continued insurance.

Compensation of PZU Group Directors

The rules for compensating PZU Group Directors are determined by the PZU Management Board by way of



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resolutions which take into account the provisions of the Act of 9 June 2016 on the Rules for Shaping the Compensation of Persons Managing Some Companies. The total compensation due to PZU Group Directors is composed of the fixed compensation and variable compensation, determined using the same rules as those described for PZU Management Board members.

The Management Services Provision Agreements entered into with Management Board members and PZU Group Directors regulate their term of notice and issues related to refraining from engaging in competitive activity to the PZU's during their term of validity after their termination in consideration

for damages. They do not provide for damages in the event Management Board Members (PZU Group Directors) resign or are dismissed from their position without a valid reason except for severance pay distributed after the fulfillment of contractual prerequisites which include dismissal or release on account of the issuer undergoing a merger by way of acquisition.

### Amount of compensation

The table below shows compensation or non-cash benefits paid or transferred in 2020 or 2019 to the current and former PZU Supervisory Board Members and PZU Group Directors.

Compensation and other short-term employee benefits paid by PZU (PLN 000s)	1 January – 31 December 2021		1 January – 31 December 2022	
		including part of variable compensation for 2017-2020		including part of variable compensation for 2017-2021
<b>Management Board</b>	<b>14,332</b>	<b>5,849</b>	<b>15,462</b>	<b>7,084</b>
Beata Kozłowska-Chyła	1,479	465	1,823	712
Ernest Bejda	1,350	370	1,744	670
Małgorzata Kot	1,153	173	1,701	626
Krzysztof Kozłowski	405	-	1,317	243
Tomasz Kulik	1,788	808	2,036	962
Piotr Nowak	n/a	n/a	731	-
Maciej Rapkiewicz	1,788	808	2,036	962
Małgorzata Sadurska	1,801	822	2,050	976
Krzysztof Szypuła	1,153	173	717	626
Marcin Eckert	1,316 <sup>1)</sup>	645	466	466
Aleksandra Agatowska	94	94	38	38
Adam Brzozowski	711 <sup>2)</sup>	454	154	154
Elżbieta Häuser – Schöneich	711 <sup>3)</sup>	454	154	154
Roger Hodgkiss	179	179	179	179
Paweł Surówka	404	404	316	316
<b>High-level managers (PZU Group Directors)</b>	<b>2,370</b>	<b>1,180</b>	<b>3,288</b>	<b>1,286</b>
Aleksandra Agatowska	673	267	799	354

Compensation and other short-term employee benefits paid by PZU (PLN 000s)	1 January – 31 December 2021		1 January – 31 December 2022	
		including part of variable compensation for 2017-2020		including part of variable compensation for 2017-2021
Andrzej Jaworski	n/a	n/a	308	-
Bartłomiej Litwińczuk	705	313	804	375
Dorota Macieja	705	313	804	375
Małgorzata Kot	90	90	20	20
Krzysztof Szypuła	n/a	n/a	391	-
Roman Pałac	138	138	103	103
Tomasz Karusewicz	59	59	59	59

1) Including a severance pay of PLN 246 thousand.

2) Including a non-competition fee of PLN 257 thousand.

3) Including a non-competition fee of PLN 257 thousand.

Compensation and other short-term employee benefits paid by other PZU Group entities (PLN 000s)	1 January – 31 December 2021		1 January – 31 December 2022	
		including part of variable compensation for 2017-2020		including part of variable compensation for 2017-2021
<b>Management Board, of which:</b>	<b>119</b>	<b>119</b>	<b>27</b>	<b>27</b>
Małgorzata Kot	119	119	27	27
<b>High-level managers (PZU Group Directors), including:</b>	<b>3,325</b>	<b>1,540</b>	<b>4,897</b>	<b>1,892</b>
Aleksandra Agatowska	980	370	1,194	527
Andrzej Jaworski	n/a	n/a	462	-
Bartłomiej Litwińczuk	1,024	437	1,203	558
Dorota Macieja	1,024	437	1,203	558
Krzysztof Szypuła	n/a	n/a	586	-
Roman Pałac	205	204	157	157
Tomasz Karusewicz	92	92	92	92



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Total estimated value of non-cash benefits granted by PZU and PZU's subsidiaries (PLN 000s)	1 January – 31 December 2021	1 January – 31 December 2022
<b>Management Board, of which:</b>	<b>1,482</b>	<b>1,785</b>
Beata Kozłowska-Chyła	218	265
Ernest Bejda	155	193
Małgorzata Kot	189	224
Krzysztof Kozłowski	44	189
Tomasz Kulik	178	273
Piotr Nowak	n/a.	110
Maciej Rapkiewicz	185	211
Małgorzata Sadurska	217	312
Krzysztof Szypuła	136	8
Marcin Eckert	160	n/a.
<b>High-level managers (PZU Group Directors), including:</b>	<b>587</b>	<b>942</b>
Aleksandra Agatowska	214	270
Andrzej Jaworski	n/a.	74
Bartłomiej Litwińczuk	185	238
Dorota Macieja	173	200
Krzysztof Szypuła	n/a.	160
Tomasz Karusewicz	15 <sup>1)</sup>	n/a.

1) Benefits brought forward from PZU and PZU Życie.

In 2022, PZU Management Board Members were paid part of the benefits for 2017–2021 under the variable compensation system. The payout of the remaining part of the bonus for 2019–2022 may be made in subsequent periods. For these benefits, the PZU Group has a liability with the total amount of PLN 19,948 thousand as of 31 December 2022 (including the employer’s burdens, as of 31 December 2021: PLN 17,897 thousand).

In 2022, the PZU Group companies subject to consolidation did not grant any loans or similar benefits to members of their management boards, higher level managers or members of their supervisory boards.

PZU does not have any pension liabilities or similar benefits to former managers and supervisors or former members of its administrative authorities, or liabilities taken out in connection with these benefits.

8.10. Diversity policy

PZU employs best practices promulgating diversity and it cares about equal treatment for employees.

PZU confirmed its readiness to follow the diversity policy already in 2013 by joining the signatories of the Charter of Diversity – an international initiative under the patronage of the European Commission.

In 2021, the PZU Group adopted the Human Rights Policy, in which one of the main goals is to build an organization that supports diversity. Respecting human rights is assigned special significance in the pursued organizational culture policy. This involves counteracting mobbing and discrimination, offering equal opportunities to all employees regardless of their professional position in the PZU Group, sex, age, disability, race, religion, nationality, political convictions, union membership, ethnic origin, ethnic origin, denomination, sexual orientation, form of employment – for a specified or unspecified term, on a full-time or part-time basis while simultaneously respecting the right of assembly and the right to strike.

Respecting individuality, equal treatment and prevention of discrimination are supported by the adopted procedures and undertaken initiatives:

- preventing mobbing and discrimination is supported by the Procedure for preventing undesirable conduct in the work environment – mobbing and discrimination, which provides for appointing an anti-mobbing and anti-discrimination commission to verify reports of inappropriate behavior having the features of mobbing or discrimination;

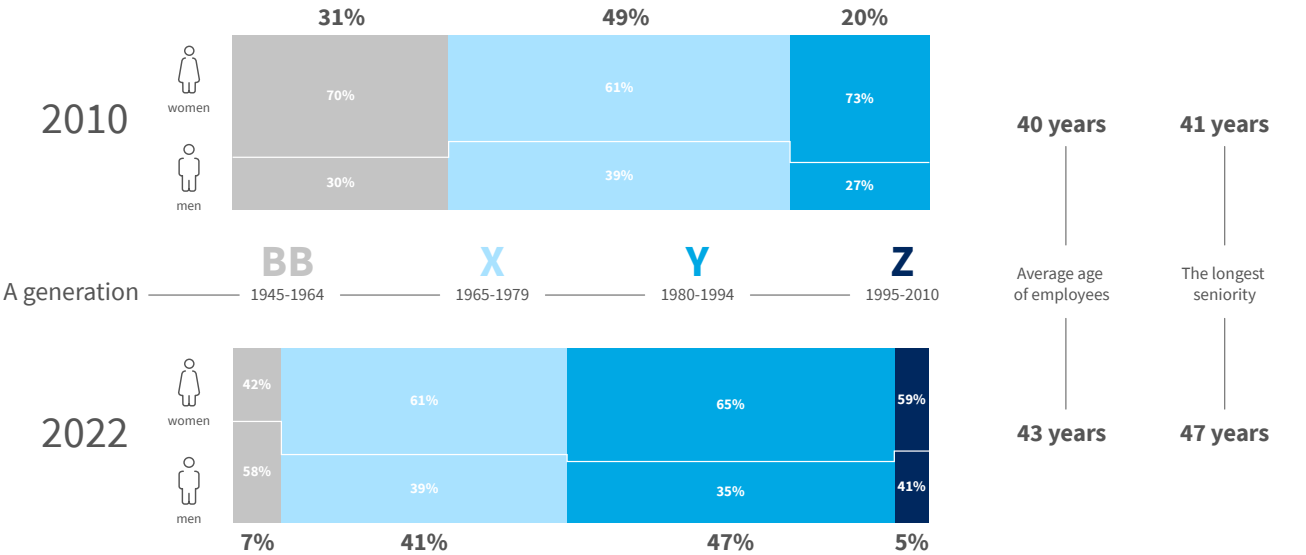
- ensuring equal treatment in employment opportunities and counteracting discrimination – support is given by the “Report an Incident” procedure enabling employees to report breaches through the intranet platform.

Starting in December 2020, all employees have to undergo a new e-learning training course entitled “Countering mobbing and discrimination in the workplace”. In addition to mobbing-related issues, the training provides information on prevention of discrimination and equal treatment in employment opportunities.

Issues pertaining to the psychological working environment are also covered as part of regular occupational safety and health training offered to employees, including managers.

PZU provides its employees equal opportunities for development to enhance their skills, being promoted and compensation, while having regard for employees’ individual potential, their accomplishments and work performance. Principles supporting diversity and equal treatment span all career stages in the company, starting from the recruitment process to the duration of the employment relationship (employment terms, access to training and development, opportunities to be promoted) to the termination of cooperation.

PZU is set to develop competences in the effective use of the potential brought to the organization by its diverse teams. It is just one of a number of initiatives aimed at supporting diversified growth and building an inspiring and accountable workplace (#potential\_within\_teams). Diversity applies not only to gender, age or origin, but also to individual styles of action, communication and work. Since 2021, a diversity management module is an important element of the training for all newly appointed PZU managers. The e-learning course



8. Corporate governance statement

“Collaboration in Diversity” is available for all employees, the purpose of which is to improve the participants’ understanding of interpersonal differences, especially between generations, in order to be able to engage in effective collaboration within diverse teams.

Respecting the personal dignity of employees is an important aspect of organizational culture.

“Best Practices of the PZU Group”, which are a code of ethics for all employees, promote mutual respect, cooperation and equal treatment, taking into account diversity of roles, character and personality traits.

Diversity policy applied to the Management Board and the Supervisory Board

PZU is a company in which the State Treasury has a shareholding. Accordingly, the persons who sit in its managing bodies are selected in accordance with the statutory regulations applicable to these types of entities.

As regards qualifications and requirements for those occupying positions in management and supervisory bodies, PZU in particular takes into account the statutory criteria for education and professional experience adequate to the functions discharged on such positions in the entity conducting insurance activity. They are defined in the provisions of the Commercial Company Code of 15 September 2000, the Insurance and Reinsurance Activity Act of 11 September 2015 and the State Property Management Act of 16 December 2016. The Company adopted the Diversity Policy

applied to members of PZU bodies under the resolution of the PZU’s Shareholder Meeting of 29 June 2022. The purpose of the Policy is to strive to ensure high-quality implementation of the tasks by the Company by appointing competent members to PZU bodies, taking into account diversity of the compositions of its corporate bodies in terms of sex, age, profile of education, specialist knowledge and professional experience. By implementing the diversity strategy, PZU is widening its scope to conducting the Company’s operations, both in organizational and business terms, creating innovative, varied, integration and fair working environment. The implementation of the Policy helps it to satisfy the requirements of the “Best Practices of WSE Listed Companies”.

Management Board and Supervisory Board Members are selected for the new term of office in compliance with the principles of equal access of men and women to positions in the company’s statutory bodies. The composition of the PZU Management Board and Supervisory Board also addresses the need of age diversification among their Members.

In Q2 2023, the Nomination and Compensation Committee will conduct the annual Policy review. Its results, consulted with the Management Board and the Supervisory Board, will be presented to the Shareholder Meeting until 30 June 2023.

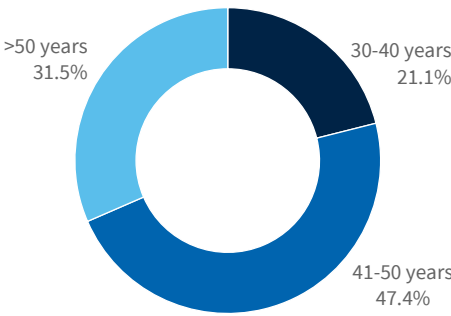
In 2022, the Supervisory Board and the Management Board of PZU were composed of people of different ages and sexes, with various educational profiles and experience. The level of diversity as at 31 December 2022 is presented in the tables below.

Age and sex

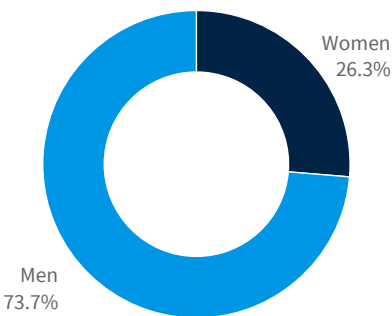
Supervisory Board								
	31 December 2021				31 December 2022			
	number of people		%		number of people		%	
	women	men	women	men	women	men	women	men
< 30 years of age	0	0	0%	0%	0	0	0%	0%
30 – 40 years of age	1	3	9%	27%	1	2	9%	18%
41 – 50 years of age	0	3	0%	27%	0	3	0%	27%
> 50 years of age	1	3	9%	27%	1	4	9%	36%
Total number per sex	2	9	18%	82%	2	9	18%	82%

Management Board								
	31 December 2021				31 December 2022			
	number of people		%		number of people		%	
	women	men	women	men	women	men	women	men
< 30 years of age	0	0	0%	0%	0	0	0%	0%
30 – 40 years of age	0	1	0.0%	12.5%	0	1	0.0%	12.5%
41 – 50 years of age	2	3	25.0%	37.5%	2	4	25.0%	50.0%
> 50 years of age	1	1	12.5%	1.5%	1	0	12.5%	0%
Total number per sex	3	5	37.5%	62.5%	3	5	37.5%	62.5%

Age of the supervisory and management staff as at 31 Dec 2022



Sex of the supervisory and management staff 31 Dec 2022



Education and specialist knowledge

Education and specialist knowledge							
Education	Insurance, banking, finance		Management and marketing	Law	Economics	Other	
Supervisory Board [number of people]	-		-	3	4	4	
Management Board [number of people]	3		1	4	-	-	
Certificates / academic titles and degrees *	MBA	EMBA	ACCA	CQF	prof.	Ph.D. Hab.	Ph.D.
Supervisory Board	1	1	-	-	2	5	2
Management Board	2	2	1	1	-	1	1

\*) MBA – Master of Business Administration, EMBA – Executive MBA, ACCA – Association of Chartered Certified Accountants, CQF – Certificate in Quantitative Finance, prof. – professor, Ph.D. Hab. – postdoctoral fellow, Ph.D. – doctor



8. Corporate governance statement

Professional experience

Years in service at PZU bodies			
Years in service	< 3 years	3-6 years	> 6 years
Supervisory Board [number of people]	3	6	2
Management Board [number of people]	5	1	2

Professional of PZU Management Board members in the financial sector before being appointed to the PZU MB				
Years in service	< 7 years	7-14 years	15-22 years	> 22 years
Number of people	3	2	2	1

Professional of PZU Supervisory Board members in the financial sector (excluding the PZU SB)			
Years in service	< 3 years	3-6 years	> 6 years
Number of people with the experience in financial sector companies	2	1	2

8.11. Management of a conflict of interest

Conflict of interest

In its operations, PZU avoids conflicts of interest which is understood as situations in which there is or may be a discrepancy between the legal, financial or other legally protected interest between:

- PZU or a person affiliated with PZU (i.e. Management Board member, PZU employee, entity providing services to PZU) and the client;
- person affiliated with PZU and PZU.

To this end, “Rules for managing conflicts of interest” are in force in PZU. This regulation aims to ensure professional, reliable and fair treatment of all clients and persons related to the company in a conflict of interest situation. According to this regulation an employee should report a potential conflict of interest to his or her boss and the compliance unit in a given company for that unit to be able to analyze that situation thoroughly from the standpoint of risk. When a potential or actual conflict of interest is identified, mitigating mechanisms are used to eliminate or reduce the conflict of interest and counteract its negative effects. There is also a conflict of interest register. PZU limits the possibility of a conflict of

interest arising and counteracts its consequences, especially by:

- informing clients using financial instruments about the adopted regulations on managing conflicts of interest;
- acting in the interest of the client and promoting fair and professional conduct among persons affiliated with PZU, who participate in the honest product life cycle;
- limiting the scope of persons with access to certain information and resources;
- enforcing persons affiliated with PZU to comply with restrictions on accepting and giving gifts in business relationships;
- limiting the possibility to represent PZU interests by employees who are affiliated with persons in business relations with PZU;
- limiting and monitoring the implementation by employees and Management Board members, in particular those responsible for investment activities, of certain transactions entered into on their own account, in particular by prohibiting transactions involving the disclosure or use of information on financial instruments that violate generally applicable laws;
- entering into non-competition agreements with employees with access to material, protected information on PZU.

To mitigate the risk of conflicts of interest, members of PZU bodies are obligated to:

- avoid activities that may give rise to conflicts of interest;
- take necessary measures to identify conflicts of interest;
- obtain approval (from the Management Board or the Supervisory Board or the Shareholder Meeting, as appropriate) for membership on the supervisory or management boards of public companies other than PZU Group companies, and entities whose operations may potentially be deemed as competitive;
- strive to eliminate or reduce the negative impact of conflicts of interest on the operation of the PZU Group company and its relations with the remaining PZU Group companies, clients and other external entities;
- inform (the Management Board or the Supervisory Board or the Shareholder Meeting, as appropriate) of a conflict of interest or the possibility of a conflict of interest, and to refrain from taking part in discussions and voting on a matter in which a conflict of interest has arisen;
- to inform the compliance unit of the possibility of a conflict of interest and the measures taken.

Issues of possible conflict of interest for members of the Management Board and the Supervisory Board are also reviewed as part of an assessment of suitability prior to appointment to these bodies and as part of regular secondary assessment of suitability. An annual analysis of additional actions taken by members of corporate bodies is also carried out.

Rules for acceptance and giving of gifts

The rules in PZU regulate in transparent and very detailed terms the categories and types of gifts, including permissible and impermissible gifts, and they prescribe the procedure for accepting or offering gifts and the rules for registering gifts. These rules are in force regardless of the position held or function discharged in the company.

Training

Topics concerning conflicts of interest, potentially risky situations and the rules of conduct if they are detected, are part of the e-learning training course on compliance. Such training is obligatory for every new employee and also available for all PZU employees. These topics are also discussed during on-boarding training courses for newly-hired employees. Furthermore, employees submit declarations on adhering to the “Rules for Managing Conflicts of Interest”.

Compliance-related issues are regularly described in the Compliance Bulletin. Employees receive it quarterly by e-mail or in printed form. The Compliance Bulletin plays an educational role – it enriches the knowledge gained during training sessions thanks to the readily understandable manner of presenting information (in the form of tables and figures).





# 9.

## Other



9. Other

Representation by the Parent Company’s Management Board on the preparation of standalone and consolidated financial statements and the activity report

To the best knowledge of the PZU Management Board, the PZU Group and Issuer’s annual consolidated financial statements and comparative data have been prepared in line with the prevailing accounting principles, and honestly, accurately and clearly reflect the PZU Group’s and the Issuer’s assets and financial position as well as their financial result. To the best knowledge of the PZU Management Board, the report on the activities of the PZU Group and PZU SA contains a true picture of the development, achievements and situation of the PZU Group and the Issuer, including a description of basic threats and risks.

Cooperation with international public institutions

Under Solvency II, PZU has the ability to consult the European Insurance and Occupational Pensions Authority (EIOPA).

PZU Group companies cooperate with the European Bank for Reconstruction and Development (EBRD), the European Investment Fund, among others. As part of the subordinated bond issue, the EBRD acquired PLN 300 million of securities in 2017.

Information about significant agreements executed between shareholders

The PZU Management Board does not have any information about agreements executed until the date of this Report on the activity of the PZU Group and PZU among shareholders as a result of which changes may transpire in the future in the percentages of shares held by its shareholders to date.

Information about significant executed agreements

No agreements significant to the Issuer's business were entered into in 2022.

Related party transactions on terms other than an arm’s length basis

In 2022, neither PZU nor its subsidiaries executed any transaction with their related parties which were of material significance individually or collectively and were executed on terms other than an arm’s length basis.

Purchase of treasury shares in the financial year

As at 31 December 2020, consolidated funds held 130,039 PZU shares.

PZU did not hold any treasury shares as at 31 December 2022.

Credits and loans extended and taken out

As part of its investment activities in 2022, PZU, PZU Życie and funds managed by TFI PZU made transactions involving debt financing in the form of loans and bonds.

Granted and received guarantees and sureties

In 2022 neither PZU nor its subsidiaries issued any sureties for loans or borrowings, or any guarantees - jointly to a single entity or its subsidiary, if the total amount of the existing sureties or guarantees would be material.

Information on off-balance-sheet items as at the end of 2022 is presented in [SECTION 5.6 STRUCTURE OF ASSETS AND LIABILITIES OF THE PZU GROUP](#).

Rules of preparation

The Rules of preparing the annual consolidated financial statements have been described in the PZU Group’s consolidated financial statements.

Assessment of the management of financial resources, including the capacity to satisfy the assumed liabilities and specification of possible threats and actions taken or to be taken by the Issuer to counter these threats. Assessment of the performance of investment-related intentions

The PZU Group and the Issuer are in very good financial standing and satisfy all the safety criteria imposed by the legal regulations and the Polish Financial Supervision Authority. The Issuer’s stable rating outlook confirms that PZU has a strong business position, has a high level of equity, and is well-poised to achieve its intentions when it comes to investments.

Financial forecasts

The PZU Group has not published any forecasts of its financial results.

Disputes

In 2022 and up to the date of preparation of this report on the activity of the PZU Group and PZU, there were no pending proceedings before court, a body competent to hear arbitration proceedings or a public authority body concerning liabilities or receivables of PZU or a direct or indirect subsidiary thereof whose unit value would be material except for the issues described in the PZU Group’s consolidated financial statements and PZU’s financial statements for 2022.

As at 31 December 2022, the total value of subjects of litigation of all 263,130 (as at 31 December 2021: 284,223) cases pending

before courts, arbitration authorities or public administration bodies at PZU Group companies amounted to PLN 9,012 million (as at 31 December 2020: PLN 8,516 million). Of that amount, PLN 5,565 million (as at 31 December 2021: PLN 4,723 million) relates to liabilities, and PLN 3,447 million (as at December 31, 2021: PLN 3,793 million) of accounts receivable of PZU Group companies.

This Report on the Activity of the PZU Group and PZU for 2022 has 267 consecutively numbered pages.

Signatures of PZU Management Board Members

Beata Kozłowska-Chyła – President

Ernest Bejda – Board Member

Małgorzata Kot – Board Member

Krzysztof Kozłowski – Board Member

Tomasz Kulik – Board Member

Piotr Nowak – Board Member

Maciej Rapkiewicz – Board Member

Małgorzata Sadurska – Board Member

Warsaw, 29 March 2023





# 10.

## Appendix

Appendix 1 – PZU Group's financial data

Appendix 2 – Glossary of terms

Appendix 3 – Alternative Performance Measures



Above-average financial results put the Group PZU among the most profitable institutions in Poland and Europe.



## Appendix 1 – PZU Group’s financial data

### Appendix 1: PZU Group’s financial data

Basic amounts of the consolidated profit and loss account (PLN million)	2018	2019	2020	2021	2022
Gross written premiums	23,470	24,191	23,866	25,080	26,710
Net earned premiums	22,350	23,090	23,024	23,232	24,297
Revenue from commissions and fees	3,355	3,279	3,166	3,544	3,687
Net investment income	9,931	11,298	8,486	9,555	15,183
Net claims and benefits	(14,563)	(15,695)	(15,580)	(15,731)	(15,542)
Acquisition costs	(3,130)	(3,363)	(3,317)	(3,572)	(3,903)
Administrative expenses	(6,609)	(6,606)	(6,597)	(6,826)	(7,575)
Interest expenses	(2,046)	(2,129)	(1,134)	(418)	(4,767)
Other operational revenues and expenses	(2,201)	(2,790)	(3,990)	(2,315)	(3,750)
Operating profit (loss)	7,087	7,084	4,058	7,469	7,630
Share in net profit (loss) of entities measured using the equity method	(1)	(4)	-	(15)	(25)
Gross profit (loss)	7,086	7,080	4,058	7,454	7,605
Net profit (loss), including:	5,368	5,185	2,530	5,434	5,259
Shareholders’ profit (loss)	3,213	3,295	1,912	3,336	3,374
Minority profit (loss)	2,155	1,890	618	2,098	1,885
Basic and diluted weighted average number of ordinary shares*	863,347,220	863,285,340	863,332,499	863,344,936	863,390,384
Number of shares issued	863,523,000	863,523,000	863,523,000	863,523,000	863,523,000
Basic and diluted PZU Group’s profit per ordinary Issuer’s share (in PLN)	3.72	3.82	2.21	3.86	3.91
Net profit of PZU (Issuer)	2,712	2,651	1,919	2,028	1,637
Basic and diluted Issuer’s profit per ordinary share (in PLN)	3.14	3.07	2.22	2.35	1.90

\*) including shares in consolidated funds

Data as at 31 December 2018-2019 restated

Assets (PLN million)	2018	2019	2020	2021	2022
Intangible assets	3,180	3,157	3,206	3,403	3,282
Goodwill	3,871	4,034	2,776	2,778	2,808
Property, plant and equipment	3,184	4,229	4,188	4,144	4,304
Investment property	1,697	1,981	2,493	2,773	3,021
Entities measured using the equity method	17	11	72	93	52
Financial assets pledged as collateral for liabilities	877	933	1,481	1,336	972
Loan receivables	182,054	194,868	197,288	215,008	212,693
Derivatives	2,487	3,107	6,339	8,328	16,197
Financial assets	100,788	110,483	139,441	136,954	153,861
Receivables	6,343	5,737	6,246	9,418	12,642
Reinsurers’ share in technical provisions	1,512	1,856	2,101	2,540	4,015
Deferred tax assets	2,234	2,313	2,511	3,058	3,085
Deferred acquisition costs	1,546	1,574	1,550	1,573	1,762
Other assets	562	734	753	633	811
Cash and cash equivalents	17,055	7,788	7,939	9,447	15,960
Assets held for sale	1,147	580	590	643	654
<b>Total assets</b>	<b>328,554</b>	<b>343,385</b>	<b>378,974</b>	<b>402,129</b>	<b>436,119</b>

Restated data for 2018-2020

## Appendix 1 – PZU Group’s financial data

Equity (PLN million)	2018	2019	2020	2021	2022
Share capital	86	86	86	86	86
Supplementary capital	12,660	13,113	15,848	14,816	15,315
Revaluation reserve	(65)	294	891	(1,140)	(2,455)
Actuarial profits and losses related to provisions for employee benefits	-	1	3	3	(6)
Own shares	(11)	(7)	(9)	(5)	(4)
Other reserve capital	18	(324)	295	600	1 721
Exchange differences	(36)	(41)	65	69	92
Retained profits (losses)	(940)	(248)	(314)	(685)	(634)
Net profit (loss)	3,213	3,295	1,912	3,336	3,374
Appropriations on net profit during the financial year	-	-	-	-	-
Minority interest	22,482	23,119	24,626	22,914	22,263
<b>Total equity</b>	<b>37,407</b>	<b>39,288</b>	<b>43,403</b>	<b>39,994</b>	<b>39,752</b>

Liabilities (PLN million)	2018	2019	2020	2021	2022
Technical provisions	45,839	47,329	48,471	50,173	52,606
Unearned premium and unexpired risk reserve	8,525	8,885	8,834	9,603	10,760
Life insurance provisions	16,204	16,346	16,309	16,345	17,014
Outstanding claims provisions	9,690	10,298	10,984	11,715	13,356
Provision for annuities	5,981	5,999	6,226	6,371	6,543
Provisions for bonuses and discounts for the insured	7	9	8	12	19
Other technical provisions	256	214	190	164	159
Unit-linked technical provisions	5,176	5,578	5,920	5,963	4,755
Subordinated liabilities	6,061	6,700	6,679	6,274	6,184
Own debt securities liabilities	12,009	9,273	7,532	5,940	11,090
Liabilities to banks	6,044	6,604	9,751	7,470	7,720
Liabilities to clients for deposits	207,635	218,588	241,975	265,155	278,058
Derivatives	3,365	3,018	6,281	11,880	20,956
Other liabilities	8,805	10,599	12,434	13,203	17,178
Other provisions	854	1,211	1,378	1,206	1,711
Deferred tax liability provision	486	746	949	806	831
Liabilities directly associated with assets qualified as held for sale	49	29	121	28	33
<b>Total liabilities</b>	<b>291,147</b>	<b>304,097</b>	<b>335,571</b>	<b>362,135</b>	<b>396,367</b>
<b>Total equity and liabilities</b>	<b>328,554</b>	<b>343,385</b>	<b>378,974</b>	<b>402,129</b>	<b>436,119</b>

Appendix 1 – PZU Group’s financial data

One-off events in PZU Group (PLN million)	2018	2019	2020	2021	2022
Costs related to the modification of contracts for gold mortgage loans granted to consumers due to their suspension of loan repayments (so-called loan vacations)	-	-	-	-	(2,460)
Provision for legal risk related to related to foreign currency mortgage loans at Bank Pekao	-	-	-	-	(1,598)
Costs of bank protection system fee	-	-	-	-	(696)
Wzrost rezerw techniczno-ubezpieczeniowych dla starszych wersji produktów indywidualnie kontynuowanych, polegający na rozpoznaniu spodziewanego efektu wyższych indeksacji	-	-	-	-	(203)
Increase in technical provisions for older versions of individually continued products, consisting of recognition of the expected effect of higher indexations in the next 12 months	-	-	-	-	(94)
The effect of a company going public from the logistics industry	-	-	-	485	-
Goodwill impairment charge	-	-	(1,301)	-	-
Write-off of assets created as a result of the acquisition of Alior Bank	-	-	(161)	-	-
Provision for the reimbursement of fees in prepaid consumer credit (CJEU)		(272)			
Reestimation of reserves for vegetative state compensation claims	(148)	-	-	-	-

Operational efficiency ratios		2018	2019	2020	2021	2022
1	<b>Gross claims and benefits ratio (simple)</b> (gross claims and benefits/gross written premium) x 100%	63.8%	66.5%	67.5%	64.3%	63.2%
2	<b>Claims and benefits ratio on own share</b> (net claims and benefits / earned premium on own share)) x 100%	65.2%	68.0%	67.7%	67.7%	64.0%
3	<b>Insurance segment activity expense ratio</b> (insurance activity expenses/earned premium on own share)) x 100%	21.4%	22.3%	22.6%	23.8%	25.0%
4	<b>Insurance segment acquisition expense ratio</b> (acquisition expenses/premium earned on own share) x 100%	14.5%	15.1%	15.3%	16.3%	17.1%
5	<b>Administrative expense ratio in the insurance segments</b> (administrative expenses/premium earned on own share) x 100%	6.9%	7.2%	7.4%	7.6%	7.9%
6	<b>Combined ratio in non-life insurance</b> (net claims and benefits + insurance activity expenses) / net premium earned on own share) x 100%	87.1%	88.5%	88.2%	89.2%	89.6%
7	<b>Operating profit margin in life insurance</b> (operating profit /gross written premium) x 100%	21.3%	20.5%	18.6%	12.7%	16.8%
8	<b>Cost/Income ratio - banking operations</b>	42.3%	40.8%	43.4%	42.2%	39.9%





## Appendix 1 – PZU Group's financial data

Data from the profit and loss account – corporate insurance (non-life insurance) (PLN million)	2018	2019	2020	2021	2022
Gross written premiums	3,097	3,316	3,026	3,283	4,031
Net earned premiums	2,326	2,476	2,365	2,365	2,503
Investment income	113	100	116	73	124
Insurance claims	(1,591)	(1,610)	(1,593)	(1,510)	(1,684)
Acquisition costs	(477)	(519)	(511)	(522)	(545)
Administrative expenses	(131)	(131)	(144)	(142)	(161)
Reinsurance commission and share in profits	39	43	47	56	68
Other	(11)	(32)	33	(26)	(23)
<b>Insurance profit</b>	<b>268</b>	<b>327</b>	<b>313</b>	<b>294</b>	<b>282</b>
Acquisition costs ratio (including reinsurance commission)*	18.8%	19.2%	19.6%	19.7%	19.1%
Administrative expenses ratio*	5.6%	5.3%	6.1%	6.0%	6.4%
Claims ratio*	68.4%	65.0%	67.4%	63.8%	67.3%
Combined ratio (COR)*	92.9%	89.5%	93.1%	89.6%	92.8%

\*) ratios calculated with net premium earned

Data from the profit and loss account – mass-market insurance (non-life insurance) (PLN million)	2018	2019	2020	2021	2022
Gross written premiums	10,401	10,403	10,244	10,910	11,583
Net earned premiums	10,168	10,261	10,192	10,121	10,923
Investment income	526	481	525	385	593
Insurance claims	(6,171)	(6,410)	(6,221)	(6,198)	(6,596)
Acquisition costs	(1,890)	(1,986)	(2,010)	(2,166)	(2,470)
Administrative expenses	(594)	(651)	(673)	(678)	(706)
Reinsurance commission and share in profits	(6)	3	-	33	41
Other	(308)	(249)	(142)	(246)	(288)
<b>Insurance profit</b>	<b>1,725</b>	<b>1,449</b>	<b>1,671</b>	<b>1,251</b>	<b>1,497</b>
Acquisition costs ratio (including reinsurance commission)*	18.6%	19.3%	19.7%	21.1%	22.2%
Administrative expenses ratio*	5.8%	6.3%	6.6%	6.7%	6.5%
Claims ratio*	60.7%	62.5%	61.0%	61.2%	60.4%
Combined ratio (COR)*	85.2%	88.1%	87.4%	89.0%	89.1%

\*) ratios calculated with net premium earned

## Appendix 1 – PZU Group’s financial data

Data from the profit and loss account – group and individually continued insurance (PLN million)	2018	2019	2020	2021	2022
Gross written premiums	6,891	6,966	7,007	7,030	7,166
Group insurance	4,887	4,940	4,958	4,975	5,093
Individually continued insurance	2,004	2,026	2,049	2,055	2,073
Net earned premiums	6,890	6,965	6,956	7,055	7,190
Investment income	581	668	675	520	617
Insurance claims and change in other technical provisions net	(4,931)	(5,057)	(5,190)	(5,597)	(5,333)
Acquisition costs	(349)	(388)	(381)	(394)	(429)
Administrative expenses	(604)	(640)	(632)	(669)	(752)
Other	(44)	(51)	(37)	(45)	(44)
<b>Insurance profit</b>	<b>1,543</b>	<b>1,497</b>	<b>1,391</b>	<b>870</b>	<b>1,249</b>
<b>Insurance profit excluding one-off events</b>	<b>1,543</b>	<b>1,497</b>	<b>1,391</b>	<b>870</b>	<b>1,452</b>
Acquisition costs ratio*	5.1%	5.6%	5.4%	5.6%	6.0%
Administrative expenses ratio*	8.8%	9.2%	9.0%	9.5%	10.5%
Insurance profit margin	22.4%	21.5%	19.9%	12.4%	17.4%

\*) ratios calculated with gross premium written

Data from the profit and loss account – individual insurance (PLN million)	2018	2019	2020	2021	2022
Gross written premiums	1,346	1,581	1,712	1,750	1,451
Net earned premiums	1,344	1,579	1,710	1,747	1,447
Investment income	59	548	465	153	(181)
Insurance claims and change in other technical provisions net	(976)	(1,640)	(1,670)	(1,329)	(695)
Acquisition costs	(126)	(139)	(175)	(224)	(216)
Administrative expenses	(69)	(72)	(81)	(86)	(109)
Other	(5)	(5)	(5)	(6)	(8)
<b>Insurance profit</b>	<b>227</b>	<b>271</b>	<b>244</b>	<b>255</b>	<b>238</b>
Acquisition costs ratio*	9.4%	8.8%	10.2%	12.8%	14.9%
Administrative expenses ratio*	<b>5.1%</b>	<b>4.6%</b>	<b>4.7%</b>	<b>4.9%</b>	<b>7.5%</b>
Insurance profit margin*	<b>16.9%</b>	<b>17.1%</b>	<b>14.3%</b>	<b>14.6%</b>	<b>16.4%</b>

\*) ratios calculated with gross premium written

## Appendix 1 – PZU Group’s financial data

Data from the profit and loss account – investment contracts (PLN million)	2018	2019	2020	2021	2022
Gross written premiums	40	35	33	33	30
Group insurance	2	1	1	1	-
Individual insurance	38	34	32	32	30
Net earned premiums	40	35	33	33	30
Investment income	(14)	16	13	(3)	(29)
Insurance claims and change in the balance of other technical provisions net	(15)	(42)	(37)	(22)	6
Acquisition costs	(1)	-	-	-	-
Administrative expenses	(5)	(4)	(3)	(2)	(2)
Other	(2)	-	-	-	-
<b>Operating profit</b>	<b>3</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>5</b>
Profit margin*	7.5%	14.3%	18.2%	18.2%	16.7%

\*) ratios calculated with gross premium written

Data from the profit and loss account – banking activity (PLN million)	2018	2019	2020	2021	2022
Revenue from commissions and fees	3,115	3,146	3,008	3,426	3,569
Investment income	8,897	8,972	6,248	7,319	13,636
Interest costs	(1,904)	(2,013)	(1,074)	(376)	(4,617)
Administrative expenses	(4,989)	(4,850)	(4,782)	(5,077)	(5,639)
Other	(1,083)	(1,757)	(3,206)	(1,513)	(3,035)
<b>Total</b>	<b>4,036</b>	<b>3,498</b>	<b>194</b>	<b>3,779</b>	<b>3,914</b>

Data from the profit and loss account – pension segment (PLN million)	2018	2019	2020	2021	2022
Investment income	5	6	4	4	12
Other revenues	149	142	130	154	161
Administrative expenses	(40)	(43)	(56)	(57)	(49)
Other	(7)	(4)	(5)	(5)	(5)
<b>Operating profit (loss)</b>	<b>107</b>	<b>101</b>	<b>73</b>	<b>96</b>	<b>119</b>

Data from the profit and loss account – Ukraine segment (PLN million)	2018	2019	2020	2021	2022
Gross written premiums	257	335	291	339	231
Net earned premiums	152	217	196	227	207
Investment result	19	33	39	16	(42)
Net insurance claims	(59)	(81)	(76)	(102)	(106)
Acquisition costs	(82)	(118)	(101)	(112)	(48)
Administrative expenses	(25)	(31)	(33)	(39)	(33)
Other	18	19	29	24	17
Insurance profit	23	39	54	14	(5)
Exchange rate UAH/PLN	0.1330	0.1502	0.1439	0.1422	0.1370
Acquisition costs ratio*	53.9%	54.4%	51.5%	49.3%	23.2%
Administrative expenses ratio*	16.4%	14.3%	16.8%	17.2%	15.9%

\*) ratios calculated with net premium earned



# Appendix 1 – PZU Group’s financial data

Data from the profit and loss account – Baltic states segment (PLN million)	2018	2019	2020	2021	2022
Gross written premiums	1,592	1,713	1,694	1,867	2,359
Net earned premiums	1,480	1,600	1,643	1,742	2,064
Investment result	2	38	18	42	(13)
Net insurance claims	(905)	(989)	(965)	(1,082)	(1,238)
Acquisition costs	(317)	(335)	(340)	(366)	(454)
Administrative expenses	(125)	(133)	(141)	(142)	(163)
Other	3	4	5	6	7
Insurance profit	138	185	220	200	203
Exchange rate EUR in PLN	4.2669	4.3018	4.4742	4.5775	4.6883
Acquisition costs ratio*	21.4%	20.9%	20.7%	21.0%	22.0%
Administrative expenses ratio*	8.4%	8.3%	8.6%	8.2%	7.9%

\*) ratios calculated with net premium earned

Investment segment (external) (PLN million)	2018	2019	2020	2021	2022
Total	(390)	333	323	662	420



# Appendix 2 - Glossary of terms

## Appendix 2: Glossary of terms

**insurance agent** – commercial undertaking conducting agency activity pursuant to an agreement executed with an insurance undertaking. The activity of agents focuses on acquiring customers, entering into insurance contracts, participating in the administration and performance of insurance agreements and organizing and supervising agency activity

**assurbanking** – distribution of banking products by insurance companies

**bancassurance** – distribution of insurance products by banks

**insurance broker** – entity holding a permit to conduct brokerage activity. Performs activities on behalf or in favor of an entity seeking insurance cover

**cross-selling** – sales strategy for selling an insurance product in combination with a complementary insurance product or an insurer’s partner’s product, e.g. a bank’s product. Bancassurance products such as credit insurance may serve as an example

**P/BV (Price to Book Value)** – indicator specifying the ratio of the market price to the book value per share

**P/E (Price to Earnings)** – indicator specifying the ratio of the company’s market price (per share) to earnings per share

**DPS (Dividend Per Share)** – market multiple specifying the dividend per share

**DY (Dividend Yield)** – market multiple specifying the ratio of the dividend per share to the market share price

**EPS (Earnings Per Share)** – market multiple specifying earnings per share

**IDD** – Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (Insurance Distribution Directive)

**IPO (Initial Public Offering)** – public offering of specific securities performed for the first time. One of the most important elements of an initial public offering is the preparation of a prospectus and the proceeding before the institution supervising admission to be traded publicly

**Civil Code** – Act of 23 April 1964 entitled Civil Code

**Commercial Company Code** – Act of 15 September 2000 entitled Commercial Company Code

**ECSS** – Employee Capital Schemes defined by the provisions of the Act of 4 October 2018 on Employee Capital Schemes

**PRIIP** – RCommission Delegated Regulation (EU) 2017/653 of 8 March 2017 supplementing Regulation (EU) No. 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurancebased investment products

**reinsurance** – otransfer to some other insurance undertaking – the reinsurer – of all or part of the insured risk or class of risks along with the pertinent portion of the premiums. As a result of reinsurance, a secondary split of risks transpires to minimize the risks to the insurance market

**outward reinsurance** –reinsurance activity whereby the insurer (cedent) transfers a portion of the concluded insurance to a reinsurer or reinsurers in the form of a reinsurance agreement.

**inward reinsurance** – reinsurance activity whereby a reinsurer or reinsurers accept a portion of insurance or a class of insurance transferred by a cedent.

**technical provisions** – rprovisions that should ensure full coverage of current and future liabilities that may result from executed insurance contracts. The following, in particular, are included in technical provisions: provision for unearned premiums, provision for outstanding claims and benefits, provision for unexpired risks, provision for investment risk borne by policyholders and provision for bonuses and discounts for insureds

**RODO** – RRegulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/ EC

**CRR** – Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation)

**Regulation on Current and Periodic Information** – Finance Minister’s Regulation of 29 March 2018 on Current and Periodic Information Transmitted by Securities Issuers and the Conditions for Recognizing the Information Required by the Regulations of a Non-Member State as Equivalent (Journal of Laws of 2018, item 757)

**credit scoring** – method for assessing the credibility of an entity (usually a natural person or a business) applying for a bank loan. The result of credit scoring is ordinarily presented in the form of a score – the higher the number of points, the greater the credibility of a prospective borrower.

**sell-side** – part of the financial sector involved in creating, promoting and selling equities, bonds, foreign currencies and other financial instruments; it includes investment bankers

who act as intermediaries between securities issuers and investors as well as market makers who provide liquidity on the market. Sell-side analysts release research reports with investment recommendations and daily comments for the buy side, i.e. for asset managers

**gross written premium** – the amounts of gross written premiums (net of the reinsurer’s share) due by virtue of the insurance contracts executed in the reporting period, notwithstanding the term of liability stemming from these agreements

**net earned premium** – the gross written premium in a given period giving consideration to the settlement of revenues (premiums) over time through movement in the provisions for unearned premiums and the reinsurers’ share

**spread** – the difference between the purchase and sale price of a financial instrument

**risk-free rate**– rate of return on financial instruments with zero risk. In PZU the risk-free rate is based on the yield curves for treasuries and it is the basis for determining transfer prices in settlements between operating segments.

**sum insured** – amount in cash for which an insured object is insured. In non-life insurance the sum insured ordinarily constitutes the upper limit of the insurer’s liability

**TSR (Total Shareholder Return)** – measure specifying the total rate of return obtained by shareholders by virtue of holding shares in a given company during an annual period. This measure expresses the sum total of profit stemming from the movement in the share price of a given company and the dividends paid during the time when an investor holds its shares in relation to its share value at the beginning of a given year. It is expressed as a percentage on an annualized basis

**Unit-linked** – Unit-linked insurance fund, a separate fund consisting of assets constituting a provision consisting of insurance premiums invested in the manner specified in the insurance agreement, a constituent part of unit-linked life insurance also referred to as an investment policy

**Act on Statutory Auditors**– Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision (Journal of Laws of 2017, Item 1089, as amended)

**UOKiK** – Office of Competition and Consumer Protection, the Polish anti-trust authority, acting to ensure the development of competition, protect businesses exposed to monopolistic practices and protect consumer interests, [www.uokik.gov.pl](http://www.uokik.gov.pl)

**Insurance Activity Act** – Act of 11 September 2015 on Insurance and Reinsurance Activity (Journal of Laws of 2015, Item 1844), with most regulations in force as of 1 January 2016

This Act introduced Solvency II requirements to the Polish legal system

**UX (User Experience)** – area related to the experiences of users of the respective tool (or, more broadly, of a process, or interacting with the brand in general). It is associated directly with web usability, which is an empirical field of knowledge dealing with the design and testing of tools (in this case: online tools) in consideration of the needs and preferences of target users. In the context of websites, it involves broadly construed usefulness and effectiveness in attaining specific goals

**WIBOR6M** – reference interest rate for a loan for 6 months on the Polish interbank market

**Solvency II** – solvency system for European insurance undertakings taking the risk profile into account. These requirements have been in force since 1 January 2016

**prudent person principle** – principle expressed in article 129 of the Solvency II Directive of the European Parliament and of the Council on the Taking-up and Pursuit of the Business of Insurance and Reinsurance that imposes on insurance undertakings and reinsurance undertakings the requirement of investing assets in the policyholders’ best interest, properly matching investments to liabilities and duly incorporating the various types of financial risk, such as liquidity risk and concentration risk



# Appendix 3 – Alternative Performance Measures

## Appendix 3: Alternative Performance Measures

Selected Alternative Performance Measures (APM) within the meaning of European Securities and Markets Authority Guidelines (ESMA) no. 2015/1415 are presented below.

The profitability and operational efficiency indicators presented herein, constituting standard measures applied generally in financial analysis, provide, in the opinion of the Management Board, significant additional information about the PZU Group’s financial performance. Their usefulness was analyzed in terms of information, delivered to the investors, regarding the Group’s financial standing and financial performance.

**Assets of external clients of TFI PZU and PTE PZU (PLN billion)** – assets of external clients accumulated in the PZU “Złota Jesień” Open-End Pension Fund and the PZU Voluntary Pension Fund as well as all assets accumulated and managed by TFI PZU, other than those constituting own funds of PZU Group companies. Compared to the values reported before 2021, PPE products sold past PZU Życie as UFK and managed by TFI PZU as asset management were also included. An increase in this indicator means that the inflows of assets into the funds are greater than the outflows from the funds and/ or that the funds generated positive rates of return on assets under management.

**COR** – combined operating ratio, calculated for the non-life insurance sector (section II). This is the ratio of insurance expenses related to insurance administration and the payment of claims (e.g. claims, acquisition and administrative expenses) to the net earned premium for a given period; a decrease in the value of this indicator signifies an improvement in efficiency

**Net interest margin (NIM)** – the difference between a bank’s net interest income earned on income-generating assets and interest expenses incurred on liabilities. It is the ratio of a bank’s earnings generated on interest to average assets net of matured interest on at-risk receivables; an increase in the value of this indicator signifies an improvement in efficiency

**Operating margin in life insurance** – profitability of life insurance segments, calculated as the ratio of the result on operating activity to gross written premium; an increase in the value of this indicator signifies an improvement in efficiency

**Operating margin in group and individually continued insurance** – profitability of the segment of group and individually continued insurance, calculated as the ratio of the result on operating activity to gross written premium; an increase in the value of this indicator signifies an improvement in efficiency

**PZU Zdrowie’s EBITDA margin** - ratio of the sum of the operating result plus depreciation costs (for non-insurance activities) and the technical result (for insurance products) of PZU Zdrowie to the value of PZU Zdrowie’s revenues. PZU Zdrowie’s revenues include revenues from medical insurance sold by PZU Życie and other PZU Group companies, revenues from medical services sold by medical centers (including those provided by PZU Zdrowie), revenues from medical subscriptions and PZU Zdrowie’s revenues from medical benefits net of the impact of non-recurring transactions; an increase in the value of this indicator signifies an improvement in efficiency

**Number of Health pillar/area contracts-** the number of contracts of clients of PZU Group health products (PZU Życie, PZU SA, PZU Zdrowie, TUW, LINK4), i.e., the number of contracts of clients having: group or individual health insurance, subscription of medical services or occupational medicine services. For group contracts, the customer is either the insured or the beneficiary.

**ROA (Return on Assets)** – return on assets, calculated as the ratio of the annual net profit to the arithmetic mean of total assets at the beginning and end of the reporting period; an increase in the value of this indicator signifies an improvement in efficiency, i.e. a greater ability of the assets to generate profits.

**ROE (Return on Equity)** -attributable to equity holders of the parent – return on equity calculated as the ratio of the annual net profit attributable to owners of the parent company to the arithmetic mean of consolidated equity minus minority interest at the beginning and end of the reporting period; an increase in the value of this indicator signifies an improvement in efficiency and the ability to multiply funds entrusted by the owners (investors).

**Consolidated ROE (Return on Equity)**– return on equity calculated as the ratio of the annual net profit to the arithmetic mean of consolidated equity at the beginning and end of the reporting period; an increase in the value of this indicator signifies an improvement in efficiency and the ability to multiply funds entrusted by the owners

**Administrative expense ratio** – the quotient of administrative expenses and net earned premium (for the non-life insurance sector) or gross written premium (for the life insurance sector); this indicator specifies the percentage share of administrative expenses in the premium, and a decrease in its value signifies an improvement in efficiency

**Acquisition expense ratio** – the quotient of acquisition expenses (net of reinsurance commissions) and net earned premium (for the non-life insurance sector) or gross written premium (for the life insurance sector); this indicator specifies the percentage share of acquisition expenses in the premium,

and a decrease in its value signifies an improvement in efficiency

**Insurance activity expense ratio** –the quotient of insurance activity expenses (administrative expenses plus acquisition expenses net of reinsurance commissions) and net earned premium (for the non-life insurance sector) or gross written premium (for the life insurance sector); this indicator specifies the percentage share of insurance activity expenses in the premium, and a decrease in its value signifies an improvement in efficiency

**Gross loss ratio**– the quotient of the sum of gross claims and benefits and movement in the provision for outstanding gross claims and benefits and gross written premium; it shows what portion of the premium was allocated to indemnification costs; a decrease in the value of this indicator signifies an improvement in efficiency

**Net loss ratio** – the quotient of net insurance claims and benefits and net earned premium; it shows what portion of the premium was allocated to indemnification costs; a decrease in the value of this indicator signifies an improvement in efficiency

**Cost/Income ratio, C/I ratio (banking sector)** – the quotient of administrative expenses and the sum of operating income, excluding: the BFG charge, the levy on other financial institutions and the net result on realization and impairment losses on investments; a decrease in the value of this indicator signifies an improvement in efficiency

**PZU Group’s solvency ratio** – the level of coverage of the solvency capital requirement with the PZU Group’s own funds within the meaning of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), as amended and supplemented with related documents; an increase in the value of this indicator signifies an increase in the capital surplus





These Financial Statements contain forward-looking statements concerning the strategic operations. Such forward-looking statements are exposed to both known and unknown types of risks, involve uncertainties and are subject to other significant factors which may cause that the actual results, operations, or achievements of PZU Group considerably differ from future results, operations, or achievements expressed or implied in the forwards-looking statements. The statements are based on a number of assumptions concerning the current and future business strategy of PZU Group and the external environment in which the Group will operate in the future. PZU expressly waives any and all obligations or commitments concerning distribution of any updates or adjustments to any of the assumptions contained in these Management Board's report on the activity of the PZU Group and PZU, which shall aim to reflect the changes in PZU expectations or changes in events, conditions, or circumstances on which a given assumption has been made, unless provisions of the law provided otherwise. PZU stipulates that the forwardlooking statements do not constitute a guarantee as to the future results, and the company's actual financial standing, business strategy, management plans and objectives concerning the future operations may considerably differ from those presented or implied in such statements contained in these Management Board's report on the activity of the PZU Group and PZU. Moreover, even if the PZU Group's financial standing, business strategy, management plans and objectives concerning the future operations comply with the forward-looking statements contained in these Management Board's report on the activity of the PZU Group and PZU, such results or events may not be treated as a guideline as to the results or events in the subsequent periods.

PZU does not undertake to publish any updates, changes, or adjustments to information, data or statements contained in these Management Board's report on the activity of the PZU Group and PZU if the strategic operations or plans of PZU shall change, or in the case of facts or events that shall affect such operations or plans of PZU, unless such an obligation to inform resulted from applicable provisions of the law.

PZU Group is not liable for the effects of decisions made following the reading of the Management Board's report on the activity of the PZU Group and PZU.

At the same time, these Management Board's report on the activity of the PZU Group and PZU may not be treated as a part of a call or an offer to purchase securities or make an investment. The Management Board's report on the activity of the PZU Group and PZU does not constitute also an offer or a call to effect any other transactions concerning securities.

