

Powszechny Zakład Ubezpieczeń
Spółka Akcyjna
Group

Solvency and financial condition report
as at and for the financial year ended 31 December 2022



Table of contents

Glossary	4
Summary	7
Basis of preparation	7
Operating activity and results of the PZU Group	7
System of governance	9
Risk profile	9
Valuation for solvency purposes	9
Capital management	11
A. Business and operating results	12
A.1. Business	12
A.2. Operating profit/(loss)	15
A.3. Result on investment activity	19
A.4. Other operating income and expenses (net)	20
A.5. Additional information	20
B. System of governance	25
B.1. General information on the system of governance	25
B.2. Fit and proper requirements	34
B.3. Risk management system, including own risk and solvency assessment	37
B.4. Internal control system	41
B.5. Internal audit function	43
B.6. Actuarial function	45
B.7. Outsourcing	45
C. Risk profile	47
C.1. Underwriting risk	53
C.2. Market risk	59
C.3. Credit risk/counterparty default risk	60
C.4. Liquidity risk	61
C.5. Operational risk	63
C.6. Other significant risks	63
D. Measurement of assets and liabilities	66
D.1. Assets	66
D.2. Technical provisions	71
D.3. Other liabilities	78
D.4. Alternative measurement methods	83
D.5. Additional information	85
E. Capital management	86
E.1. Own funds	86

E.2.	Consolidated solvency capital requirement and minimum consolidated capital requirement	92
E.3.	Use of the duration-based equity price risk sub-module to calculate the solvency capital requirement	93
E.4.	Differences between the standard formula and the applied internal model	93
E.5.	Inconsistency with the minimum consolidated capital requirement and inconsistency with the consolidated solvency capital requirement	94
E.6.	Additional information.....	94
Attachments		95

Glossary

- 1) **BFG** – Bank Guarantee Fund [Polish: Bankowy Fundusz Gwarancyjny];
- 2) **Economic balance sheet** – balance sheet of the PZU Group prepared in accordance with the measurement principles of the SII System;
- 3) **SII Directive** – 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);
- 4) **EIOPA** – the European Insurance and Occupational Pensions Authority;
- 5) **WSE** – Warsaw Stock Exchange;
- 6) **PZU Group** – PZU as the parent company together with its subsidiaries, including subsidiary companies within the meaning of the applicable provisions of accounting law;
- 7) **GUS** – Statistics Poland;
- 8) **PZU Group company** – PZU or subsidiary;
- 9) **Subsidiary** – business unit (also a non-corporate business unit such as a civil-law partnership or a mutual fund) directly or indirectly controlled by PZU; the fact of the exercise of such control results from the grounds laid down in International Financial Reporting Standard 10 “Consolidated Financial Statements”;
- 10) **KNF, regulatory authority** – Polish Financial Supervision Authority;
- 11) **PZU Group Financial Conglomerate** – financial conglomerate within the meaning of the Act of 15 April 2005 on Supplementary Oversight over Credit Institutions, Insurance Undertakings, Reinsurance Undertakings and Investment Firms Comprising a Financial Conglomerate, in which PZU acts as the leading entity;
- 12) **Commercial Company Code** – Commercial Company Code of 15 September 2000;
- 13) **MCR** – minimum consolidated capital requirement in the SII system;
- 14) **IFRS** – International Financial Reporting Standards, as endorsed by the European Commission, published and in force as at 31 December 2022;
- 15) **PZU branches** – field outlets of PZU and PZU Życie carrying out insurance activities in the area of direct client service, including product sales;
- 16) **ORSA** (own risk and solvency assessment) – assessment of general needs regarding solvency, consistent compliance with capital requirements and technical provisions requirements and materiality with which the risk profile deviates from the assumptions underlying the solvency capital requirement, carried out on the basis of the “Own risk and solvency assessment policy in the PZU Group, PZU SA and PZU Życie SA”, in accordance with the Insurance Activity Act and EIOPA guidelines;
- 17) **PIU** – Polish Insurance Association;
- 18) **Capital and dividend policy** – the PZU Group’s Capital and Dividend Policy for 2021-2024 adopted as at 24 March 2021;
- 19) **PAS** – Polish Accounting Standards, as laid down in the Accounting Act and in the executive regulations thereto, in particular in the Finance Minister’s Regulation of 12 April 2016 on the specific accounting policies of insurance and reinsurance undertakings and the Finance Minister’s Regulation of 12 December 2001 on the detailed principles of recognition, valuation methods, scope of disclosure and presentation of financial instruments; in matters not regulated in the Accounting Act and in the executive regulations thereto, National Accounting Standards or IFRS are applied accordingly;
- 20) **SCR** – consolidated solvency capital requirement in the SII system, which pursuant to Article 336 of the Delegated Regulation consists of the following positions: a solvency capital requirement calculated on the basis of consolidated data following the rules laid down for the standard formula, the proportional share of the capital requirement (including hypothetical requirements) of undertakings from other financial sectors, the requirement for affiliated entities not consolidated by the full method;
- 21) **PZU Group strategy** – PZU Group strategy for 2021-2024 – “#PZU Potential and growth – We care about the most important things in life”;

- 22) **SII System** – the entirety of legal requirements as set out in the SII Directive and regulations issued on its basis. The SII Directive has been incorporated in Polish legislation by the Insurance Activity Act;
- 23) **QRT** – quarterly and annual quantitative reporting templates;
- 24) **Capital Requirements Regulation, 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 and amending Regulation (EU) No 648/2012;
- 25) **Delegated Regulation** – delegated regulation of 10 October 2014, 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);
- 26) **implementing regulation applicable to the SFCR** – Commission Implementing Regulation (EU) 2015/2452 of 2 December 2015 laying down implementing technical standards with regard to the procedures, formats and templates of the solvency and financial condition report in accordance with Directive 2009/138/EC of the European Parliament and of the Council;
- 27) **SFCR** – PZU Group’s solvency and financial condition report;
- 28) **consolidated financial statements** – consolidated financial statements of the PZU Group prepared in accordance with IFRSs;
- 29) **unit-linked** – insurance product of an investment nature tied to a Unit-Linked Fund in which the investment risk is borne by the policyholder;
- 30) **Act on Statutory Auditors** – Act on Statutory Auditors, Audit Firms and Public Supervision of 11 May 2017;
- 31) **Insurance Activity Act** – Act of 11 September 2015 on Insurance and Reinsurance Activity;
- 32) **Act on Mutual Funds** – Act on Mutual Funds and Management of Alternative Investment Funds of 27 May 2004;
- 33) **Act on Trading in Financial Instruments** – Act on Trading in Financial Instruments of 29 July 2005;
- 34) **Act on Public Offerings** – 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;
- 35) **Accounting Act** – Accounting Act of 29 September 1994;
- 36) **Act on the Rules for Shaping the Compensation of Persons Managing Certain Companies** – Act of 9 June 2016 on the Rules for Shaping the Compensation of Persons Managing Certain Companies;
- 37) **Act on Rules for Managing State Property** – Act on Rules for Managing State Property of 16 December 2016;
- 38) **Banking Law** – Act of 29 August 1997 entitled Banking Law;
- 39) **EIOPA guidelines** – EIOPA guidelines pertaining to public disclosures and reporting;
- 40) **Corporate Governance Rules** – Corporate Governance Rules for Supervised Institutions issued by KNF, in effect since 1 January 2015;
- 41) Names of business units:
 1. **Balta** – AAS “BALTA”.
 2. **Alior Bank** – Alior Bank SA
 3. **CM Medica** – Centrum Medyczne Medica sp. z o.o.
 4. **CM św. Łukasza** – Centrum Medyczne św. Łukasza sp. z o.o.
 5. **Elvita** – Przedsiębiorstwo Świadczeń Zdrowotnych i Promocji Zdrowia ELVITA – Jaworzno III sp. z o.o.
 6. **Gamma** – Centrum Medyczne Gamma sp. z o.o.
 7. **Alior Bank Group** – Alior Bank with its subsidiaries: Alior Services sp. z o.o., Alior Leasing sp. z o.o., Meritum Services ICB SA, Alior Towarzystwo Funduszy Inwestycyjnych SA, Absource sp. z o.o., AL Finance sp. z o.o., Corsham sp. z o.o., RBL_VC sp. z o.o., RBL_VC sp. z o.o. ASI SKA.
 8. **Pekao Group** – Pekao with its subsidiaries: Pekao Bank Hipoteczny SA, Pekao Leasing sp. z o.o., Pekao Investment Banking SA, Pekao Faktoring sp. z o.o., Pekao Towarzystwo Funduszy Inwestycyjnych SA, Centrum Kart SA, Pekao Financial Services sp. z o.o., Pekao Direct sp. z o.o., Pekao Property SA in liquidation, FPB – Media sp. z o.o. in bankruptcy, Pekao Fundusz Kapitałowy sp. z o.o. in liquidation, Pekao Investment Management SA, PeUF sp. z o.o.
 9. **LD** – AB “Lietuvos draudimas”.

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10. **Link4** – Link4 Towarzystwo Ubezpieczeń SA.
 11. **Pekao** – Bank Pekao SA.
 12. **Proelmed** – Przedsiębiorstwo Usług Medycznych PROELMED sp. z o.o.
 13. **PTE PZU** – Powszechne Towarzystwo Emerytalne PZU SA.
 14. **PZU** – Powszechny Zakład Ubezpieczeń Spółka Akcyjna.
 15. **PZU LT GD** - UAB “PZU Lietuva gyvybes draudimas”.
 16. **PZU CO** – PZU Centrum Operacji SA.
 17. **PZU Ukraine** – PRJSC IC “PZU Ukraine”.
 18. **PZU Ukraine Life** – PRJSC IC “PZU Ukraine Life Insurance”.
 19. **PZU Życie** – Powszechny Zakład Ubezpieczeń na Życie Spółka Akcyjna.
 20. **SU Krystynka** – Sanatorium Uzdrowskowie „Krystynka” sp. z o.o.
 21. **TFI PZU** – Towarzystwo Funduszy Inwestycyjnych PZU SA.
 22. **Tomma** – Tomma Diagnostyka Obrazowa SA.
 23. **TUW PZUW** – Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych.

Summary

Basis of preparation

The Solvency and Financial Condition Report has been drawn up and disclosed in order to satisfy the requirements under Article 412 of the Insurance Activity Act, which implements the requirements of the SII Directive into the national legal system. The layout of this report is consistent with annex XX to the Delegated Regulation, with the reservation that only information relevant to PZU Group's business is disclosed.

The SFCR has been prepared in accordance with the provisions of:

- Insurance Activity Act;
- Delegated Regulation;
- EIOPA guidelines;
- implementing regulation applicable to the SFCR.

Assets, liabilities and own funds have been measured by applying the provisions of the Insurance Activity Act, the Delegated Regulation, the EIOPA guidelines on the recognition and measurement of assets and liabilities other than technical provisions, the EIOPA guidelines on the measurement of technical provisions and the EIOPA guidelines on the classification of own funds, in consideration of requirements applicable to corporate groups.

SCR is calculated pursuant to Article 336 of the Delegated Regulation and consists of the following positions: a solvency capital requirement calculated on the basis of consolidated data following the rules laid down for the standard formula, the proportional share of the capital requirement (including hypothetical requirements) of undertakings from other financial sectors, the requirement for affiliated entities not consolidated by the full method. The main goal of SCR is to reflect, to the fullest extent possible, the risks associated with the conducted activity.

Unless noted otherwise, all amounts presented in this report are stated in millions of Polish zloty.

Operating activity and results of the PZU Group

As at 31 December 2022, the consolidated assets of the PZU Group, headed by PZU SA, according to IFRS amount to PLN 436,119 million. The PZU Group renders its insurance services in five countries.

PZU Group companies actively offer not only life and non-life insurance but also banking, investment, pension and medical services. They render assistance services to retail clients and businesses through strategic partnerships.

The PZU Group has two banks in its structure – Alior Bank (in the PZU Group since 2015) and Pekao (in the PZU Group since 2017).

In individual operating result items, the PZU Group posted in 2022:

- an increase in gross written premium by 6.5% vs. 2020 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 (the impact of a higher subsidy pool from the state budget than a year ago) and buildings and property insurance. The sales growth in the Baltic companies (LD, Balta, PZU LT GD) was related to property insurance, MOD insurance and health insurance. Allowing for the reinsurers' share and movement in the provision for unearned premiums, the net earned premium was PLN 24,297 million, and was 4.6% higher than in 2021;

- 58.9% higher investment income, exclusive of interest expenses, and 14.0% higher income after factoring in the interest expenses¹ (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 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 moratorium periods), 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 (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 activity². The income was lower than in 2021, mainly due to the effect of an increase in the valuation of the logistics company's shares in 2021 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 of 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 negative factors relating to non-banking activity 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 higher level of net claims and benefits paid (along with the movement in other technical provisions) amounted to PLN 15,542 million, i.e. 1.2% less than in 2021. The drop 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 (lower inflow of new investment premiums) as well as lower results on investment activity relating to these products 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;
- acquisition expenses higher by 9.3%, having increased to PLN 3,903 million, from PLN 3,572 million in 2021. This increase was mainly due to the change in the portfolio structure 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. In the banking activity segment (net of adjustments on account of valuation of assets and liabilities to fair value), administrative expenses increased by PLN 562 million; in the insurance activity segments in Poland, administrative expenses increased by PLN 153 million, which resulted from, among others, increased personnel costs associated with the payroll 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.
- movement in the negative balance of other operating income and expenses – to PLN 3,750 million, compared with PLN 2,315 million in 2021, which was mainly related to one-time effects in banks – a payment to the aid fund of PLN 696 million in connection with the accession of Alior Bank and Pekao to the Bank Protection System and a payment to the Borrower Support Fund 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.

In 2022, the PZU Group generated a return on equity (ROE)³ of 19.5%, up 0.9 p.p. compared to 2021.

On 28 June 2023, S&P Global Ratings (S&P) affirmed the financial strength and credit strength ratings for PZU, PZU Życie and TUW PZUW at "A-". The rating remained unchanged (stable).

¹ 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.

² Banking activity: data of Pekao and Alior Bank

³ Attributable to equity holders of the parent company.

System of governance

The system of governance in place in the PZU Group companies, including its organization, is commensurate with the scale of operations, the extent of realized functions and the scale and complexity of risks, and it effectively supports the achievement of strategic objectives as well as immediate business and operating goals.

The system of governance in PZU Group companies comprises in particular the organizational structures and formal and process solutions required by the laws and following from the uniqueness of regulatory requirements applicable to each type of company. The division of powers in the Management Board's organizational structures between individual persons participating in business unit management is defined by the internal regulation and power-of-attorney system.

Model solutions are worked out and implemented on the PZU level. They are implemented in PZU Group companies taking into account the scale, uniqueness and nature of the activity their conduct.

The system of governance comprises in particular solutions designed to ensure the PZU Group company's adherence to regulatory requirements and the effectiveness and efficiency of its operations and to safeguard the availability and reliability of financial and non-financial information.

During the reporting period, the Actuarial, Operational and Model Risk Committee was founded in PZU and PZU Życie, which enables further development of the 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.

During the reporting period, there were changes in the composition of the PZU Supervisory Board and PZU Management Board, as well as in the positions of PZU Group Directors in PZU. The changes are presented in section B.1.4.

Risk profile

PZU Group's risk profile results from the PZU Group Strategy and financial plans; it is subject to periodical monitoring and control. Given the scale of insurance operations by the PZU Group companies and the amount of funds earmarked for investment, the most significant risks are underwriting risk, market risk and the risk associated with the activity of undertakings operating in other financial sectors. In the last item, credit risk is the most important.

In compliance with the applicable provisions of the SII system, the PZU Group it calculates its SCR reflecting the value of eligible own funds that would enable the PZU Group to cover significant unforeseen losses within one year, thus ensuring a sufficient degree of protection of the interests of the insureds.

In the light of the nature of business and the significant risks involved, the standard formula proposed by the provisions of the SII system is a proper reflection of the solvency requirement and as such is applied by the PZU Group.

The risks covered by PZU Group's SCR include: underwriting risk, counterparty insolvency risk, operational risk and the adjustment related to the capacity of deferred income tax to cover losses. Also, a separate category of the capital requirement takes into account requirements for subsidiaries that are not subject to consolidation using the full method, in particular requirements for subsidiaries from financial sectors other than the insurance sector.

At year-end 2022, the SCR was PLN 11,003 million, down 1% from year-end 2021. The decrease is mainly due to a decrease in actuarial risk in life insurance, caused by a change in the discount curve published by EIOPA, as well as a decrease in the capital requirement for other financial sectors.

Valuation for solvency purposes

For solvency purposes, the PZU Group measures its assets and liabilities other than technical provisions at fair value. The fair value is calculated using market prices quoted on active markets for the same assets or liabilities. In cases where there is no such active market, alternative measurement methods are used, as provided for by the provisions of the SII system: mark-to-market measurement, income-based measurement or cost-based measurement.

The most significant asset groups according to the PZU Group's economic balance sheet are: bonds, interests in related parties, including equity interests, assets for insurance in which the benefit is determined on the basis of specified indices or other base values and for insurance linked to a unit-linked fund, loans and loans secured by mortgages, real estate, machinery and equipment (tangible fixed assets) used for personal use.

The main differences in the measurement of these assets compared to their measurement in the financial statements prepared according to IFRS pertain to bonds and loans. These differences stem mostly from the fact that in the economic balance sheet the said assets are measured at fair value, whereas the financial statements according to IFRS for some assets are prepared using also measurement methods based on historical cost.

Equities held in related parties in the economic balance sheet are measured by applying the method of proportional share in such undertakings' own funds calculated according to the relevant sectoral rules (credit institutions, companies managing undertakings for collective investment in transferable securities and non-regulated entities carrying out financial activities), adjusted equity method (shares in related parties, not listed on active markets) or alternative method (for participation units and investment certificates in collective investment undertakings).

The most significant liability groups according to the PZU Group's economic balance sheet are: technical provisions, subordinated liabilities and deferred tax liability.

In the case of subordinated liabilities, the difference between values according to IFRS and measurement for solvency purposes follows from the application of different measurement methods: according to IFRS at amortized cost, while for the purposes of the economic balance sheet they are presented at fair value but without adjusting own credit spread from the date of the emergence of the liability.

The PZU Group measures technical provisions at the value which another insurance undertaking or reinsurance undertaking (reference undertaking) could be expected to demand for taking over and fulfilling the insurance and reinsurance liabilities. Technical provisions consist of the best estimate and the risk margin, in compliance with Article 225 of the Insurance Activity Act.

As regards the valuation of the best estimation, significant changes to assumptions adopted for the calculations in 2022 as compared to the previous reporting period pertained to economic assumptions as well as other-than-economic assumptions. With regard to a change in economic assumptions, in 2022, the risk-free rate published by EIOPA applied for discounting cash flows was changed. In the case of non-economic assumptions, the changes were mainly related to life insurance and concerned the level of service costs, accident and mortality assumptions (increase related to the COVID-19 pandemic), cancellations and indexation in continued insurance.

During the reporting period, there were no significant changes in the method of measurement of assets and liabilities other than technical provisions.

Capital management

PZU Group's capital and dividend policy is aimed at zeroing in on the rate of return for shareholders through efficient capital management while maintaining the existing security level and preserving capital resources for the purposes of strategic development through acquisitions.

At the end of 2022, the PZU Group satisfied the solvency requirements and held eligible own funds to cover the solvency capital requirement. As at 31 December 2022, the SCR for the PZU Group was PLN 11,003 million, while eligible own funds to cover the SCR were PLN 26,389 million, including category 1 basic own funds of PLN 23,317 million and category 2 basic own funds of PLN 3,072 million, which ensured the ratio of SCR coverage with eligible own funds at a level of 240%. This ratio was 19 p.p. higher than on 31 December 2021. The MCR was PLN 3,952 million, while eligible own funds to cover the MCR were PLN 17,010 million, including category 1 basic own funds of PLN 16,220 million and category 2 basic own funds of PLN 790 million, which ensured the ratio of MCR coverage with eligible own funds at a level of 430% (72 p.p. more than as at 31 December 2021).

The increase in eligible own funds compared to the end of 2021 amounted to PLN 1,763 million (an increase of 7%) and was primarily the result of an increase in the excess of assets over liabilities in the economic balance sheet by PLN 1,774 million. The increase was mainly due to a decrease in the value of technical provisions due to a change in the risk-free rate curve set by EIOPA, offset in part by dividend payments and a decrease in the valuation of debt instruments related to an increase in interest rates. Detailed information on the change in own funds is presented in section E.1.2.

The SCR at the end of 2022 decreased by 1% compared to the end of 2021, which was mainly due to a decrease in actuarial risk in life insurance, as well as a decrease in the capital requirement for other financial sectors. The MCR fell 8% versus 2021. This was driven mainly by a decrease in the minimum capital requirement in PZU due to lower capital requirements for that company.

A. Business and operating results

A.1. Business

A.1.1. Name and legal form

The parent company in the PZU Group is PZU with its headquarters at Rondo Ignacego Daszyńskiego 4, 00-843 Warsaw.

PZU has been entered in the National Court Register kept by the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, under file number KRS 0000009831.

A.1.2. Regulatory authority supervising the PZU Group

Regulatory authority in charge of exercising financial supervision over the PZU Group:

Polish Financial Supervision Authority, ul. Piękna 20, 00-549 Warsaw.

A.1.3. Statutory auditor of the PZU Group

Marcin Podsiadły, registration no. 12774, acting on behalf of the audit firm, KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k., an entity authorized to audit financial statements, no. 3546 on the list maintained by the Polish Agency for Audit Supervision, ul. Inflancka 4A, 00-189 Warsaw, Poland.

A.1.4. Shareholders holding significant stakes in PZU

As at 31 December 2022, the PZU shareholding structure was as follows:

No.	Shareholder's name	Number of shares and votes at the Shareholder Meeting	Percentage held in the share capital and in the total number of votes at the Shareholder Meeting
1	State Treasury	295,217,300	34.1875%
2	Funds managed by Nationale Nederlanden Powszechne Towarzystwo Emerytalne Spółka Akcyjna ¹⁾	49,223 000	5.7003%
3	Other shareholders	519,082 700	60.1122%
Total		863,523,000	100.0000%

¹⁾ Number of shares held by the funds at the Extraordinary Shareholder Meeting of PZU held on 1 September 2022.

A.1.5. PZU Group's legal structure

The PZU Group's capital structure as at 31 December 2022 is presented in Attachment 1 to this SFCR.

The information about all PZU Group companies is presented in form S.32.01.22 constituting attachment 2 to the SFCR.

A.1.6. PZU Group's significant lines of business and relevant geographies of the PZU Group's operations

PZU heads up the PZU Group and its traditions date back to 1803 when the first insurance company was established in Poland. As at 31 December 2022, the PZU Group's consolidated assets under IFRS total PLN 436,119 million. The PZU Group renders its insurance services in five countries. 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. The Group companies offer not only in life insurance, non-life and health insurance but also in banking, investment, pension and health care products.

For many years the PZU Group has provided insurance cover in all of the most important areas of private, public and business life, thereby safeguarding its clients' lives, assets and health. PZU (non-life insurance, including motor, residential and buildings, agricultural and third party liability insurance) and PZU Życie (life insurance) are the leaders on Poland's insurance market. At year-end 2022, 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 percentage of total gross written premium. The Group has been offering insurance under two brands: the most recognizable PZU brand, with its 200-year tradition, and the much younger Link4 brand, associated with direct sales channels. In 2015 the third brand, TUW PZUW, or Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych, a mutual insurer, was founded to sell and handle insurance products for companies in various industries, focusing on cooperation with large corporates, medical entities (hospitals and clinics) as well as for church institutions and local government units. The PZU Group is also the leader in the insurance market in the Baltic States (Lithuania, Latvia, Estonia). It also conducts insurance activity in Ukraine.

Poland is the PZU Group's core market, where it generated in 2022 90.3% of its revenue (measured by gross written premium). The insurance activity in the Baltic States and in Ukraine generated in 2022 9.7% of its revenue (Ukrainian companies 0.9%).

Link4, which is part of the PZU Group, is expanding its operations to include cooperation with multiagencies, banks and strategic partners, while remaining one of the leaders in direct insurance. The company offers an extensive array of non-life insurance products, including motor, property, casualty and TPL insurance.

TUW PZUW offers flexible insurance cover customized to the needs of the insured in terms of the cover and costs. TUW PZUW sells and handles commercial insurance products for various industries, focusing predominantly on cooperation with large business entities, medical entities (hospitals and clinics), church entities and local government units.

In the PZU Group, the operations in the life insurance market are conducted by PZU Życie, offering 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 and investment contracts.

Dynamically developing the products and services portfolio, PZU, Link4, TUW PZUW together have retained the leading position in the Polish non-life market (33.4% market share) and life insurance market (42.8% – PZU Życie's share in the regular premium segment) – data at year-end 2022.⁴

Outside Poland, the PZU Group provides insurance services through the following companies: LD (Lithuania), PZU Kindlustus (LD branch in Estonia), PZU LT GD (life insurance, Lithuania), Balta (Latvia), PZU Ukraine (non-life insurance) and PZU Ukraine Life. In 2022, the PZU Group ranked first in terms of gross written premium in the non-life insurance market in Lithuania and in Latvia.

The PZU Group has two banks in its structure: Alior Bank (since 2015) and Pekao (since 2017) playing an important role on the domestic financial market.

Pekao was established in 1929. It is a universal commercial bank offering a full range of banking services provided to individual and institutional clients. It is one of the largest financial institutions in Central and Eastern Europe, and the second largest bank in Poland.

⁴ In accordance with KNF's Quarterly Bulletin. Rynek ubezpieczeń 4/2022; i.e. the market and market shares including PZU's inward reinsurance from Link4 and TUW PZUW.

Alior Bank is a universal deposit and loan bank that was established in 2008 as a start-up. In its operations Alior Bank combines the principles of traditional banking with innovative solutions, thanks to which it systematically strengthens its market position and sets out trends for the development of the Polish banking sector.

Tightening cooperation with banks has opened up enormous growth opportunities for the PZU Group, especially in terms of integrating and focusing its services on clients at every stage of their personal and professional development. Cooperation with the banking segment forms an additional plane for PZU to build lasting client relations. PZU Group's business within its banking model involves bancassurance and assurbanking.

As part of the areas complementary to the insurance business, the PZU Group offers an extensive range of investment products – open and closed-end mutual funds and pension products: an open-end pension fund, individual retirement accounts (IRAs), individual retirement security accounts with a voluntary pension fund, employee pension schemes (EPSs), employee capital schemes (ECSs). TFI PZU also invests the PZU Group's own funds. The PZU Group has three mutual fund management companies: TFI PZU, Pekao Towarzystwo Funduszy Inwestycyjnych SA and Alior Towarzystwo Funduszy Inwestycyjnych, as well as PTE PZU, which manages the PZU Złota Jesień Open Pension Fund.

Striving to satisfy the clients' needs better and more fully, the PZU Group intensively grows the health insurance segment along with associated medical care services. The health business deals with the following activities:

- sales of health products in the form of insurance and sales of non-insurance products (occupational medicine, medical subscriptions, partnerships and prevention programs);
- construction and development of medical infrastructure in Poland to give clients the best accessibility to the health care services rendered.

Detailed information on premiums, claims and benefits and costs broken down by lines of business in the SII system and by countries was included in QRT forms S.05.01.02 and S.05.02.01 constituting attachments 3 and 4 to the SFCR, respectively.

A.1.7. All significant events of a business and other nature that occurred during the reporting period and had a significant impact on the PZU Group

A.1.7.1. Distribution of profit

Only the profit captured in the standalone financial statements of PZU prepared in accordance with PAS is subject to distribution.

On 29 June 2022, the PZU Ordinary Shareholder Meeting distributed PZU's net profit for the year ended 31 December 2021 in the amount of PLN 2,028 million, increased by PLN 950 million moved from supplementary capital created from the net profit for the year ended 31 December 2020, i.e. in total PLN 2,978 million, by allocating:

- PLN 1,675 million (i.e. PLN 1.94 per share) for a dividend payout;
- PLN 1,296 million to supplementary capital;
- PLN 7 million to the Company Social Benefit Fund.

The record date was set at 29 September 2022 and the dividend payout date was set for 20 October 2022. The profit distribution is consistent with the PZU Group's Capital and Dividend Policy for 2021-2024, as adopted on 24 March 2021, and takes into account the recommendations contained in the Polish Financial Supervision Authority's (KNF) stance on the dividend policy in 2022 issued on 9 December 2021.

Information on PZU's net profit distribution proposal for the year ended 31 December 2022 is presented in section E.1.2.

A.1.7.2. Acquisition transactions

Aura Medic Południe sp. z o.o.

On 31 March 2022, Bonus-Diagnosta sp. z o.o. acquired 7,677 shares representing 100% of the shares in the share capital of Aura Medic Południe sp. z o.o. and entitling the holder to a total of 100% of the votes at the shareholder meeting, for PLN 13 million and an additional payment of PLN 2 million (paid in two installments of PLN 1 million each – on 27 September 2022 and 31 March 2023). On 31 August 2022 Bonus-Diagnosta sp. z o.o. (acquiring company) merged with Aura Medic Południe sp. z o.o. (acquired company) in accordance with Article 492 § 1 item 1 of the Commercial Company Code, i.e. through transfer of all assets of Aura Medic Południe sp. z o.o. to Bonus-Diagnosta sp. z o.o.

Towarzystwo Funduszy Inwestycyjnych Energia SA

On 17 March 2022, PZU signed preliminary agreement to acquire 100% of shares in Towarzystwo Funduszy Inwestycyjnych Energia Spółka Akcyjna ("TFI Energia") from Polska Grupa Energetyczna Spółka Akcyjna. On 15 July 2022, after obtaining the approvals from the KNF and UOKiK, the final agreement was signed. As of 15 July 2022, TFI Energia has been PZU's subsidiary consolidated as of that date. The purchase price of the stake in TFI Energia was PLN 21 million.

On 29 September 2022, the Extraordinary Shareholder Meeting of TFI PZU adopted a resolution on the merger of TFI PZU with TFI Energia. The merger took place on 2 November 2022.

Centrum Medyczne Nowa 5 sp. z o.o.

On 30 December 2022, PZU Zdrowie acquired 70 shares constituting 100% of the share capital of Centrum Medyczne Nowa 5 sp. z o.o. and entitling to a total of 100% of votes at the shareholder meeting for PLN 8 million.

A.1.8. Simplified PZU organizational structure chart

The PZU organizational structure chart constitutes Attachment 5 to the SFCR.

A.2. Operating profit/(loss)

Premiums, claims paid and costs broken down by lines of business are presented in form QRT S.05.01.02 constituting Attachment 3 to the SFCR.

All information presented in this chapter is consistent with IFRS, except for the information about the premiums presented in section A.2.2.1, disclosed in accordance with the segment information presented in the consolidated financial statements prepared in accordance with the local accounting standards in force in the country of registered office of the PZU Group entity.

A.2.1. Key factors affecting the operating results achieved by the PZU Group

Operating profit in 2022 was PLN 7,630 million, up 2.2% million (PLN 161 million) compared to the result in 2021. Key contributors to operating profit included in particular:

- higher profitability in group and individually continued insurance (the segment's operating result was PLN 1,249 million in 2022 compared to PLN 870 million in 2021) on account of the decreased loss ratio due to deaths of the insured and co-insured in the group protection portfolio and in continued insurance.

- higher profitability in the mass insurance segment (the segment's operating result was PLN 1,497 million in 2022 compared to PLN 1,251 million in 2021), which was an effect of a lower claims ratio in MOD insurance;
- increase in gross written premium by 6.5% to PLN 26,710 million. It 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 (the impact of a higher subsidy pool from the state budget than a year ago) and buildings and property insurance. The sales growth in the Baltic companies was related to property insurance, MOD insurance and health insurance. Allowing for the reinsurers' share and movement in the provision for unearned premiums, the net earned premium was PLN 24,297 million, and was 4.6% higher than in 2021;
- higher performance of the banking business (in 2022, the operating result of the banking segment was PLN 3,914 million compared to PLN 3,779 million in 2021, net result drop). There was an increase in interest and commission income partially offset by one-time effects: costs related to modification of contracts for PLN mortgage loans granted to consumers due to their suspension of loan repayments (so-called credit vacations) in the amount of PLN 1,958 million at Pekao and PLN 502 million at Alior Bank, creation of an additional provision for legal risk of foreign currency mortgage loans at Pekao in the amount of PLN 1,598 million, and a payment to the Commercial Bank Protection System in the amount of PLN 696 million. Net result drop driven by non-tax nature of the provision for legal risk of foreign currency mortgage loan;
- a PLN 17 million lower result on individual insurance (the segment's insurance result was PLN 238 million in 2022 compared to PLN 255 million in 2021) as a result of lower net claims and benefits, partially offset by a decline in investment product sales;
- lower result on insurance in the corporate client segment (the segment's result on insurance was PLN 282 million in 2022 vs. PLN 294 million in 2021), due to higher claims ratio for non-motor products;
- lower operating income from the investment segment by PLN 242 million (external operations) including due to an increase in the valuation of shares of a logistics company in 2021, weaker performance of private equity funds and listed shares as a result of weaker market conditions.

Key figures of the PZU Group operating result according to IFRS (PLN million)	2022	2021
Gross written premiums	26,710	25,080
Net earned premium	24,297	23,232
Net revenues from commissions and fees	3,687	3,544
Net investment result	15,183	9,555
Net insurance claims and benefits	(15,542)	(15,731)
Acquisition expenses	(3,903)	(3,572)
Administrative expenses	(7,575)	(6,826)
Interest expenses	(4,767)	(418)
Other operating income and expenses	(3,750)	(2,315)
Operating profit (loss)	7,630	7,469

A.2.2. Income

A.2.2.1. Premiums

In 2022, the PZU Group collected gross premiums of PLN 26,710 million, i.e. 6.5% more (PLN 1,630 million) than in 2021.

The change in gross written premium (net of inter-segment premiums) was affected primarily by:

- increase in the written premium 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-ticket contract, and increased premium written from a contract with a fuel and energy client;
- increase of PLN 654 million (+6.0% y/y, to PLN 11,549 million) in sales in the mass client segment in Poland – including mainly 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 (the impact of a higher subsidy pool from the state budget than a year ago) and buildings and property insurance;
- increase by PLN 492 million (+26.4% y/y, up to PLN 2,359 million) of sales of the Baltic companies, mainly in property, MOD and health insurance;
- increase by PLN 136 million (+1.9% y/y, up to PLN 7,166 million) of 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 the PZU Group banks.

Gross written premium (external) in the insurance segment (PLN millions), local GAAP	2022	2021
TOTAL	26,710	25,080
Total non-life insurance – Poland (external gross written premium)	15,503	14,094
Mass insurance – Poland	11,549	10,895
TPL motor insurance	4,257	4,199
Motor MOD	3,090	2,688
Other products	4,202	4,008
Corporate insurance – Poland	3,954	3,199
TPL motor insurance	620	645
Motor MOD	809	718
Other products	2,525	1,836
Total life insurance – Poland	8,617	8,780
Group and individually continued insurance – Poland	7,166	7,030
Individual insurance – Poland	1,451	1,750
Total non-life insurance – Baltic States and Ukraine	2,437	2,025
Baltic States	2,261	1,777
Ukraine	176	248
Total life insurance – Baltic States and Ukraine	153	181
Baltic States	98	90
Ukraine	55	91

A.2.2.2. 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 in the previous year.

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, as a result of an increase in the fees for granting loans, margins on foreign currency transactions and card commissions;
- 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 the 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, mainly due to lower assets under management at Pekao Towarzystwo Funduszy Inwestycyjnych SA.

A.2.3. Costs

A.2.3.1. Claims paid and technical provisions

In 2022, net claims and benefits (taking into account the movement in technical provisions) reached PLN 15,542 million, and were 1.2% lower than the year before. This change was driven primarily by:

- a decrease in the unit-linked life insurance technical provisions, 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 (GUS);
- decreased claims ratio in the mass client segment, 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;
- 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;
- 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.

A.2.3.2. 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 the banking activity segment (net of adjustments on account of the valuation of assets and liabilities to fair value) they increased by PLN 562 million, particularly in Pekao, mainly due to higher personnel and IT costs. In insurance business segments in Poland, they rose by PLN 153 million which resulted from, among others, increasing personnel 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.

A.3. Result on investment activity

A.3.1. Net investment result and interest expenses

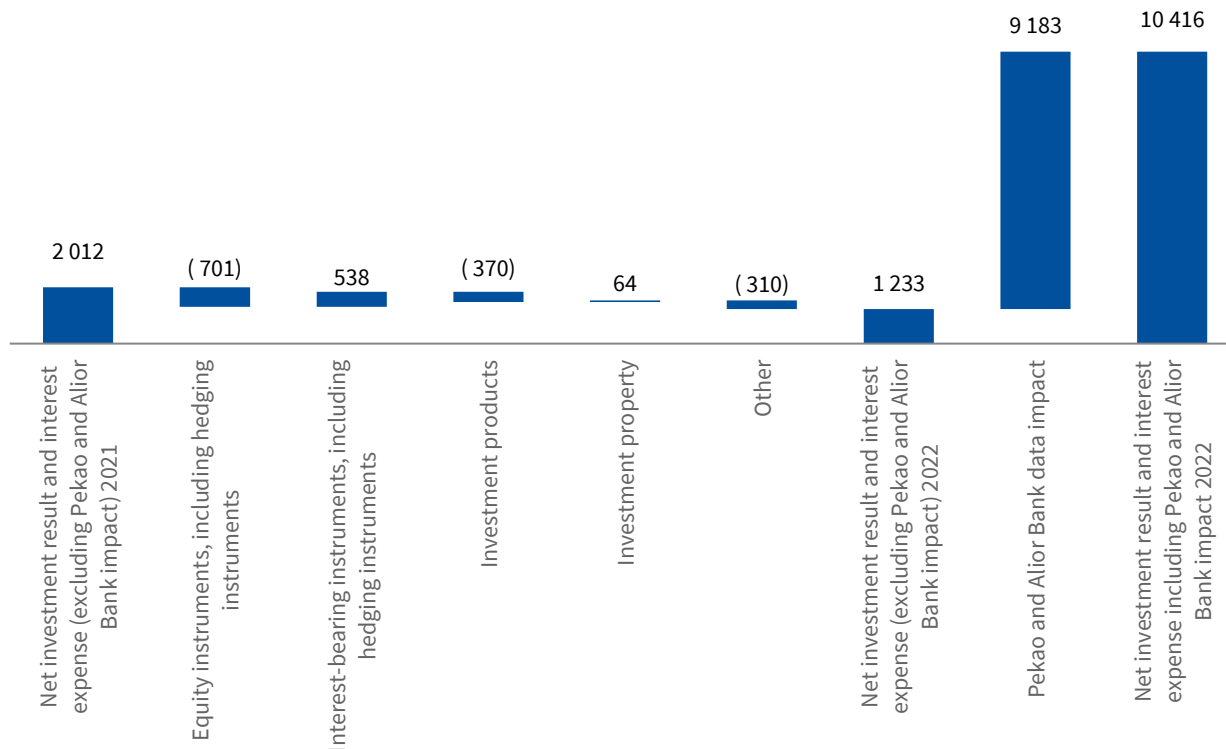
Net income from investing activities including interest expense excluding Pekao and Alior Bank was at a lower level in 2022 compared to the previous year due to:

- weaker result of 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 that do not affect the PZU Group's overall net result, because they are offset by the movement in net insurance claims and benefits;
- increased valuation of shares in a logistics company in 2021 following its IPO.

These drops were partially offset by a higher results of portfolios resulting from higher level of Polish interest rates, in particular:

- 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.

Change in net investment result and interest expense (PLN million)



A.3.2. Securitization

During 2022, the PZU Group did not conduct any securitization activity.

A.4. Other operating income and expenses (net)

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 charge of the levy on financial institutions, which in the case of the PZU Group (insurance and banking activity considered jointly) increased from PLN 1,290 million in 2021 to PLN 1,452 million in 2022, due to higher charges on the bancassurance activity resulting from the higher balance of taxable assets;
- 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.

A.5. Additional information

A.5.1. Legal, governance and organizational structure of the PZU Group, including all subsidiaries, material related undertakings within the meaning of Article 256a of the SII Directive and significant branches within the meaning of Article 354(1) of the Delegated Regulation

The information about the legal structure of the PZU Group is presented on a chart constituting attachment 1 to the SFCR. The governance and organization of the PZU Group is described in section B.1. The information about all PZU Group companies is presented in form S.32.01.22 constituting attachment 2 to the SFCR.

A.5.2. Significant transactions with parties related by equity

According to the KNF decision of 24 March 2017, issued pursuant to Article 402 sec. 4 of the Insurance Activity Act, for each insurance company in the PZU Group, significant transactions are defined as transactions concluded with another PZU Group entity for an amount greater or equal to the lower of the two values determined for that insurance company:

- 5% of its SCR;
- 2% of its technical provisions according to the SII system, but no less than PLN 1 million.

For PZU Ukraine and PZU Ukraine Life, as entities that are not fully consolidated for solvency purposes pursuant to Article 389 of the Insurance Activity Act, a transaction is deemed to be significant if it is equal or greater than the amount calculated as 2% of the technical provisions of those companies according to IFRS.

As at 31 December 2022, the thresholds for recognizing intragroup transactions as significant based on the above principles were as follows:

Insurance company	Threshold in PLN millions
PZU	327
PZU Życie	143
LD	17
Link4	8
Balta	7
TUW PZUW	7
PZU Ukraine	5
PZU Ukraine Life	4
PZU LT GD	3

A.5.2.1. Payment of dividend from PZU Życie

On 27 June 2022, the Ordinary Shareholder Meeting of PZU Życie distributed net profit for the year ended 31 December 2021 by allocating the amount of PLN 547 million for a dividend to PZU, which is the sole shareholder. The payment was made on 18 October 2022.

A.5.2.2. Reinsurance

In 2022 PZU acting as a reinsurer had reinsurance agreements concluded with its subsidiaries as cedents. The related gross written premiums under reinsurance agreements in 2022, by the reinsured subsidiary, were:

- Link4 – PLN 740 million,
- TUW PZUW – PLN 609 million,
- LD – PLN 43 million,
- Balta – PLN 25 million,
- PZU Ukraine – PLN 5 million.

As a result of the concluded agreements, PZU incurs the costs of paying claims and handling claims from the subsidiaries. In 2022, they amounted to:

- Link4 – PLN 430 million,
- TUW PZUW – PLN 224 million,
- PZU Ukraine – PLN 8 million,
- LD – PLN 5 million,
- Balta – PLN 2 million.

In connection with the concluded reinsurance agreements, in 2022 PZU incurred the cost of reinsurance commissions (including reinsurer profit participation) to its subsidiaries:

- Link4 – PLN 208 million,
- TUW PZUW – PLN 31 million,
- LD – PLN 4 million,
- Balta – PLN 3 million,
- PZU Ukraine – PLN 1 million.

A.5.2.3. Exposure to bank deposits and accounts

In 2022, the PZU Group companies conducting insurance activity invested their funds in current accounts and bank deposits in Alior Bank and Pekao. As at 31 December 2022, PZU Życie reported exposure to Alior Bank from open accounts and bank deposits of PLN 234 million, while the value of term deposits negotiated with Alior Bank closed during 2022 amounted to PLN 30 million. The value of PZU, PZU Życie and TUW PZUW funds in Pekao's open accounts and bank deposits as at 31 December 2022 amounted to PLN 181 million, PLN 109 million and PLN 13 million, respectively. The value of term deposits negotiated with Pekao closed during 2022 by PZU, PZU Życie and TUW PZUW amounted to PLN 16,232 million, PLN 12,510 million and PLN 2,546 million, respectively.

A.5.2.4. Buy-sell-back transactions

In 2022, the PZU Group entities conducting insurance activities concluded buy-sell-back transactions with Pekao. The total value of those transactions during the year for PZU and PZU Życie was PLN 18,078 million and PLN 17,637 million, respectively.

A.5.2.5. Purchase of debt securities

In 2022, the PZU Group entities concluded debt securities purchase transactions with Pekao. In 2022, the value of these purchases for PZU Życie was PLN 787 million.

A.5.2.6. Transactions on shares in subordinate entities

A.5.2.6.1. Increase in share capital at PZU Zdrowie

On 30 June 2022, PZU and PZU Życie companies entered into contracts with PZU Zdrowie to acquire:

- by PZU 727,273 new Class E registered common shares, with a nominal value of PLN 10.00 each, for PLN 80 million and 2,696,091 new Class F registered common shares, with a nominal value of PLN 10.00 each, for PLN 297 million;
- by PZU Życie 1,122,091 new Class G registered common shares, with a nominal value of PLN 10.00 each, for PLN 123 million.

The amount of PLN 80 million was paid by PZU, while the amounts of PLN 297 million and PLN 123 million were covered as a result of contractual set-off against receivables owed to PZU and PZU Życie by PZU Zdrowie under loan agreements concluded in previous years.

A.5.2.6.2. Acquisition of PZU Ukraine shares from PZU Ukraine Life

On 21 January 2022, PZU SA's acquisition of PZU Ukraine shares from PZU Ukraine Life resulted in the transfer of ownership of 150,700 common shares of PZU Ukraine to PZU. PZU increased its direct participation in PZU Ukraine shareholder structure to 90.9943% of the share capital. The transaction value was PLN 6 million.

A.5.2.7. Loans to subsidiaries

On 28 March 2022, PZU and Link4 entered into a subordinated loan agreement in the amount of PLN 40 million, with a repayment date of 31 March 2032, and an interest rate on market terms (WIBOR 6M plus a margin). The total value of PZU's loans to Link4 as at 31 December 2022 was PLN 57 million.

A.5.2.8. Dividend payments by LD

On 28 April 2022, PZU as the sole shareholder of LD adopted a resolution on a dividend payment. The dividend amount to be paid out to PZU was PLN 62 million. The payment was made on 23 May 2022.

A.5.2.9. Other material transactions

PZU CO provides services to PZU Życie in respect to the servicing of group employee insurance products. The consideration paid by PZU Życie to PZU CO on this account was PLN 240 million in 2022.

PZU Zdrowie SA provides medical services to PZU Życie's insureds under health insurance arrangements. The amount of revenues earned by PZU Zdrowie SA on this account was PLN 335 million in 2022.

PZU provides comprehensive claims handling and assistance services to TUW PZUW. TUW PZUW incurred costs of PLN 12 million on this account in 2022.

TUW PZUW provides non-life insurance services to Pekao. In 2022, gross written premium was EUR 9 million.

A.5.3. Significant differences in the scope of the PZU Group in the consolidated financial statements and in the scope of consolidated data defined in accordance with Article 335 of the Delegated Regulation

The information about the composition of the PZU Group is presented in form S.32.01.22 constituting attachment 2 to the SFCR. The list of business units comprising the PZU Group and the associates listed in the form correspond to the scope presented in the consolidated financial statements. Irrespective of the above, there are differences in the consolidation methods used for the purposes of the consolidated financial statements and for the purposes of SFCR.

The scope of consolidation by the full method in the SFCR is limited, as compared to the consolidated financial statements, to the business units conducting insurance activity and the business units, which are ancillary services undertakings within the meaning of Article 1(53) of the Delegated Regulation.

The entities comprising the PZU Group were presented in the SFCR in accordance with the methods specified in Article 335 of the delegated regulation:

- the following were fully consolidated:
 - insurance undertakings – PZU, PZU Życie, Link4, LD, Balta, PZU LT GD, TUW PZUW;
 - ancillary services undertakings – PZU CO, PZU Pomoc SA, PZU Zdrowie SA, CM Medica, SU Krystynka, Elvita, Proelmed, Gamma, CM św. Łukasza, Starówka sp. z o.o., Tomma, Bonus-Diagnosta sp. z o.o., Centrum Medyczne Nowa sp. z o.o., Ogrodowa-Inwestycje sp. z o.o., Tower Inwestycje sp. z o.o., PZU Finanse sp. z o.o., PZU Finance AB (publ.) in liquidation;
- the method of PZU Group's proportional share in the own funds of these undertakings calculated according to the relevant sectoral rules was used to value Alior Bank and Pekao as credit institutions together with their subsidiaries, TFI PZU as a management company of undertakings for collective investment in transferable securities (UCITS) and PTE PZU as a non-regulated entity carrying out financial activities. The companies set out above were consolidated in the consolidated financial statements.
- fair value was used to measure mutual funds (consolidated in the consolidated financial statements);
- the adjusted equity method was also used to measure the remaining PZU Group companies that were not classified as ancillary services undertakings as well as Ukrainian insurance undertakings: PZU Ukraine, PZU Ukraine Life and LLC SOS Services Ukraine, which are excluded from full consolidation for solvency purposes under Article 389 of the Insurance Activity Act. The companies set out above were consolidated in the consolidated financial statements.

A.5.4. Conflict in Ukraine

Due to the Russian Federation's invasion of Ukraine and the armed conflict lasting since 24 February 2022, PZU's Management Board assessed the impact of this situation on the PZU Group's operations, business continuity, financial position and going concern.

In the economic balance sheet as at 31 December 2022, adjusted equity method of the Ukrainian companies PZU Ukraine, PZU Ukraine Life and LLC SOS Services Ukraine amounted to PLN 19, 37 and 1 million, respectively. These assets were deductible from the PZU Group's own funds on the basis of Article 389 of the Insurance Activity Act, and thus did not affect the coverage ratio of the consolidated solvency capital requirement with eligible own funds.

Due to the extraordinary circumstances, the Ukrainian companies of the PZU Group did not meet the sales targets set for 2022. As at the date of signing these statements, the assessment of the possibility of maintaining business continuity (materialization of the risk of the full loss of operational capabilities) of the PZU Group's Ukrainian companies is subject to uncertainty due to the following potential threats, among others:

- long-term persistence and escalation of hostilities (about 16% of Ukraine's area is covered by hostilities);
- continuation of long-range weapons fire on civilian and military facilities, including critical infrastructure facilities, leading to significant losses among the population and disruptions in the supply of utility services such as energy, heating and water supply;
- lack of access to key systems, including by destroying the companies' physical infrastructure;
- cessation of the handling of all internal money transfers by the Ukrainian banking system;
- unavailability of employees.

The PZU Group analyzes the developments on an ongoing basis and examines forward-looking scenarios for the run of events. Due to the situation in Ukraine, the valuation of assets and liabilities (especially technical provisions) of Ukrainian companies requires a number of assumptions and is subject to significant uncertainty.

B. System of governance

B.1. General information on the system of governance

Corporate governance performs tasks resulting from the ownership rights vested in PZU over its subsidiaries. Corporate governance is the sum of corporate governance activities relating to matters arising from laws applicable in the European Union, domestic laws applicable in the area of operation of a subsidiary, internal acts and corporate governance principles (best practices).

The main objectives of corporate governance in the PZU Group include:

- exercising ownership rights with regard to PZU Group subsidiaries;
- ensuring transparency and compliance with the law of subsidiaries and their corporate bodies;
- using PZU's corporate powers to attain the objectives of the PZU Group Strategy;
- increasing efficiency of operation, effectiveness of management and the shareholder value of subsidiaries.

The proper functioning of the corporate bodies in the subsidiaries, i.e. the shareholder meeting and the supervisory and managing bodies is critical for achieving the corporate governance objectives.

Additionally, within the system of governance at the PZU Group level, PZU and its subsidiaries conclude and perform the following cooperation agreements:

- Agreement on principles of cooperation in the PZU Group of 21 March 2017 (amended: on 20 March 2018, 9 July 2021 and 8 September 2022), regulating the rules of cooperation between PZU and 26 entities⁵ of the PZU Group;
- Agreement on Cooperation and Exchange of Information of 28 September 2017 (amended: on 2 April 2020 and 3 July 2020) between PZU and Pekao;
- Agreement on Cooperation and Exchange of Information of 19 June 2019 (amended on 25 September 2020) between PZU and Alior Bank.

The parent company exercises owner's rights over its subsidiaries by way of decisions made in accordance with the procedure applicable to PZU's governing bodies.

Within the framework of PZU Group's system of governance, PZU among others recommends to the subsidiaries that they implement certain tools, procedures and methods for allocating responsibilities in order to ensure consistency and uniformity of solutions used in the PZU Group and adequate supervision over the system of governance in subsidiaries which, in the process of implementing the recommended solutions, apply the so-called principle of proportionality, which means that they implement recommendations taking into account the scale and nature of their operations, as well as the requirements of national or European law and guidelines or recommendations of regulatory authorities.

B.1.1. PZU Supervisory Board

In accordance with PZU's Articles of Association, the Supervisory Board is composed of seven to eleven members. The number of Supervisory Board members is specified by the Shareholder Meeting. Supervisory Board members are appointed by the Shareholder Meeting for a joint term of office which lasts three consecutive full financial years.

The Articles of Association give the State Treasury the right to appoint and dismiss one member of the Supervisory Board by way of a written statement submitted to the Management Board. This right will expire once the State Treasury ceases to be a PZU

⁵ TFI Energia, whose sole shareholder was PZU, was a party to the agreement from 8 September to 2 November 2022. On 2 November 2022, TFI PZU acquired TFI Energia.

shareholder. A candidate for a Supervisory Board member named by the State Treasury should meet the requirements set forth in Article 19 of the Act on Rules for Managing State Property.

The Supervisory Board elects a Chairperson and Vice-Chairperson from its composition.

The Supervisory Board Chairperson manages the work of the Supervisory Board. In the event of absence of the Supervisory Board Chairperson, including a temporary hindrance which prevents him from discharging his/her function and in a situation when the mandate of the Supervisory Board Chairman has expired and the new Supervisory Board Chairman has not been appointed yet, all rights and duties of the Supervisory Board Chairman are exercised and performed by the Supervisory Board Deputy Chairman, excluding the right to resolve the wording of a Supervisory Board resolution in the event of an equal number of votes.

The Supervisory Board adopts the organizational rules and regulations of the Supervisory Board which define its organization and manner of acting. The Rules and Regulations define the composition and manner of appointing members to the Supervisory Board, tasks and scope of its operations as well as the procedure for convening and conducting meetings.

During the reporting period, the Rules and Regulations of the Supervisory Board allowed for the election from among the members of the Supervisory Board of a secretary whose competence was to assist the Chairperson of the Supervisory Board and, in their absence, the Vice-Chairperson of the Supervisory Board, in carrying out their duties, in particular:

- 1) organizing the work of the Supervisory Board;
- 2) supervising over the organizational and technical support for Supervisory Board meetings;
- 3) preparing that minutes of meetings of the Supervisory Board;
- 4) presenting draft reports prepared by the Supervisory Board as required by PZU's Articles of Association.

The Supervisory Board may delegate its members to perform specific oversight functions individually. Each delegation requires a Supervisory Board resolution naming the delegated person(s) and specifying a detailed scope of the oversight functions and the delegation period. Supervisory Board members delegated to perform specific oversight functions individually will submit written reports of their activity to the Supervisory Board at the Supervisory Board meeting following any individual performance of oversight function. During the reporting period, the Supervisory Board did not exercise the above right.

The Supervisory Board exercises constant supervision over PZU's activities in all aspects of its business.

The PZU Supervisory Board's powers include in particular:

- 1) evaluating the PZU Management Board's report on the Company's activity and the Management Board's report on the activity of the PZU Group and PZU's financial statements and PZU Group's consolidated financial statements for the previous financial year for compliance with the accounting ledgers and documents as well as the facts;
- 2) approving the solvency and financial condition report of PZU and the solvency and financial condition report of the PZU Group;
- 3) preparing an annual report on compensation for PZU Management Board and PZU Supervisory Board members on the rules laid down in Article 90g section 1-5 of the Act on Public Offerings;
- 4) evaluating the PZU Management Board's motions to distribute the profit or cover the loss;
- 5) 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 points 1 and 4;
- 6) concluding, terminating and amending agreements with PZU Management Board members and setting the rules for their compensation, giving consideration to the rules defined by the Shareholder Meeting, in accordance with § 18 item 12 of the Articles of Association of PZU;
- 7) appointing, suspending and dismissing the President of the PZU Management Board, Management Board members or the entire Management Board of PZU and making decisions to discontinue such a suspension;
- 8) agreeing to transfer the entire or portion of the insurance portfolio;
- 9) giving consent to the acquisition, subscription for or disposal of ownership interests and shares in companies and on PZU's participation in other entities – the PZU Supervisory Board may define the maximum amount, the terms and conditions and the procedure that the PZU Management Board may use to conduct the foregoing activities without the obligation to obtain an approval from the PZU Supervisory Board, except that the following require approval of the PZU Supervisory Board:
 - a) subscription for or acquisition of shares or ownership interests in another company, with the value exceeding:

- PLN 100 million or
 - 10% of total assets within the meaning of the Accounting Act, 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 million or
 - 10% of total assets within the meaning of the Accounting Act, determined on the basis of the most recent approved financial statements;
- 10) seconding members of the PZU Supervisory Board to perform temporarily the functions of members of the PZU Management Board who have been dismissed, resigned or cannot perform their functions for other reasons,
 - 11) accepting instructions on how PZU's representatives should vote at Shareholder Meetings of PZU Życie SA in the following matters: increasing or decreasing the share capital, issuing bonds, selling or leasing PZU Życie SA's enterprise or establishing a usufruct right on the enterprise, dividing PZU Życie SA, merging PZU Życie SA with another company, liquidating or dissolving PZU Życie SA;
 - 12) 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, the solvency and financial condition report of PZU and the PZU Group and reviews of the financial statements in accordance with the obligations following from the prevailing laws;
 - 13) deciding on the consolidated text of the amended Articles of Association of PZU;
 - 14) granting consent to purchase or sell real property, perpetual usufruct or share in real property or in perpetual usufruct, whose gross value exceeds the equivalent of EUR 3 million;
 - 15) granting consent for PZU to enter with a related party into a material transaction referred to in Article 90i sec. 3 of the Act on Public Offerings, taking into account the exclusions and specific regulations in this respect laid down in Chapter 4b of this act;
 - 16) granting consent for PZU to conclude an agreement with an underwriter as referred to in Article 433 § 3 of the Commercial Company Code;
 - 17) granting consent to pay out an interim dividend towards an expected dividend;
 - 18) granting consent to establish or close the regional branches referred to in § 2 section 2 of the Articles of Association and foreign branches;
 - 19) approving the PZU's long-term development plans and annual financial plans prepared by the PZU Management Board;
 - 20) approving the Rules and Regulations of the PZU Management Board;
 - 21) performing tasks resulting from the guidelines or recommendations of regulatory authorities, in particular the KNF, adopted in PZU;
 - 22) examining and consulting matters submitted by the PZU Management Board for deliberation during the Shareholder Meeting.

In addition, the PZU Supervisory Board's consent is required for:

- 1) 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 thousand annually;
- 2) amending an agreement to provide legal, marketing, public relations and public communication services or management consulting services by increasing the said fee above and beyond the net amount of PLN 500 thousand annually;
- 3) executing an agreement to provide legal, marketing, public relations and public communication services and management consulting services which do not specify the maximum amount of the fee;
- 4) executing an agreement on:
 - 1) donation or other agreement having a similar effect, the value of which exceeds PLN 20 thousand or 0.1% of total assets within the meaning of the Accounting Act, determined on the basis of the most recent approved financial statements;
 - 2) executing a debt release or other agreement having a similar effect, the value of which exceeds PLN 50 thousand or 0.1% of total assets within the meaning of the Accounting Act, determined on the basis of the most recent approved financial statements;

- 5) subject to § 18 item 11 of the PZU Articles of Association, the disposal of non-current assets within the meaning of the Accounting Act classified as intangible 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 within the meaning of the Accounting Act, 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:
- 1) 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:
 - a) one year if the asset is handed over on the basis of contracts entered into for an unspecified term,
 - b) the full duration of the term of validity in the case of contracts entered into for an unspecified term,
 - 2) 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:
 - a) one year if the asset is to be handed over on the basis of a contract entered into for an unspecified term,
 - b) the full duration of the term of validity in the case of contracts executed for an unspecified term;
- 6) subject to § 18 item 11 of the PZU Articles of Association, the acquisition of non-current assets within the meaning of the Accounting Act, with the value exceeding:
- 1) PLN 100 million or
 - 2) 5% of total assets within the meaning of the Accounting Act, determined on the basis of the most recent approved financial statements.

At present, the following committees function as part of the Supervisory Board of PZU SA:

- Audit Committee;
- Nomination and Compensation Committee,
- Strategy Committee.

The Audit Committee is an advisory and consultative body to the PZU Supervisory Board and is appointed to increase the effectiveness of supervisory activities performed by the Supervisory Board with regard to monitoring financial reporting, financial audit activities and effectiveness of internal control, internal audit and risk management systems in PZU. 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 of PZU or an external entity.

The Audit Committee meets the legal requirement so that at least one of its members holds accounting or financial audit qualifications within the meaning of and based on the requirements of the Act on Statutory Auditors. Furthermore, in accordance with the said Act, the majority of the Audit Committee members, including the chairperson, meet the statutory independence criteria (independent member) concerning, among others, professional ties with PZU Group companies or family ties, especially to managers or supervisors of PZU Group companies. An independent supervisory board member is obligated to present a written declaration on satisfying all the independence criteria and advise PZU of ceasing to satisfy these criteria.

In the course of its work the Audit Committee takes into account 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.

The Nomination and Compensation Committee is an advisory and consultative body to the PZU Supervisory Board and is appointed to improve the effectiveness of the Supervisory Board’s supervision over 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 PZU Supervisory Board with regard to its decisions made with regard to:

- 1) concluding, terminating and amending agreements with PZU Management Board members and setting the rules for their compensation;
- 2) setting the level of compensation, bonuses and additional benefits for the PZU Management Board;

- 3) appointing, suspending and dismissing the President of the PZU Management Board, PZU Management Board members or the entire PZU Management Board and making decisions to discontinue the suspension;
- 4) seconding members of the PZU Supervisory Board to perform temporarily the functions of members of the PZU Management Board who have been dismissed, resigned or cannot perform their functions for other reasons.

Moreover, the scope of the Nomination and Compensation Committee's activities may include other matters entrusted to it by the PZU Supervisory Board.

The Strategy Committee is an advisory and consultative body to the PZU Supervisory Board and is appointed to improve the effectiveness of the PZU Supervisory Board's oversight activities related to issuing opinions on all strategic documents presented by the PZU Management Board (in particular, the PZU's development strategy) and providing the Supervisory Board with recommendations on planned investments that materially impact PZU's assets.

The tasks of the Strategy Committee include, in particular, issuing opinions and presenting recommendations to the PZU Supervisory Board with regard to its decisions made with regard to:

- 1) approving PZU's long-term development plans prepared by the PZU Management Board;
- 2) planned investments in PZU and the PZU Group;
- 3) granting consent for PZU to conclude an agreement with an underwriter as referred to in Article 433 § 3 of the Commercial Company Code;
- 4) defining rules for purchase, subscription or sale of ownership interests and shares in companies as well as PZU's participation in other entities;
- 5) accepting the PZU Management Board's motions for purchase, subscription or sale of ownership interests and shares in companies as well as PZU's participation in other entities;
- 6) granting 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 PZU Supervisory Board.

In accordance with the Rules and Regulations of the Supervisory Board, apart from appointing the Audit Committee and the Nomination and Compensation Committee, provided for in the Articles of Association to properly perform its supervision, the PZU Supervisory Board may appoint other permanent advisory and consultative committees whose competence, composition and manner of operation are laid down in the rules and regulations of the committee in question adopted by the PZU Supervisory Board. The Rules and Regulations provide for the possibility for the PZU Supervisory Board and its appointed committees to use the services provided by experts and consulting firms.

B.1.2. PZU Management Board

In accordance with PZU's Articles of Association, 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 to select the best candidate. 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 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. Two Management Board members acting jointly or one Management Board member acting jointly with an attorney-in-fact are authorized to represent PZU. The Management Board adopts its rules and regulations, which are approved by the Supervisory Board. The President of the Management Board directs the work of the Management Board.

A directive of the President of the Management Board defines the division of organizational oversight duties at PZU among the Management Board members and assigns the functions of the Heads of Divisions.

PZU has in place the positions of PZU Group Directors. Those positions have been established to ensure a consistent and effective management model for PZU and PZU Życie based on a functional division of responsibilities among the members of the Management Boards of PZU and PZU Życie. Until 2022, the positions of PZU Group Directors were filled with persons performing the functions of Members of the PZU Życie Management Board. In 2023, a second type of PZU Group Director position was introduced, i.e., a position given to persons who are not members of the PZU Życie Management Board. PZU Group Directors in PZU directly supervise the same business areas that they supervise in PZU Życie as the Board members, and in the case of the new type of PZU Group Director position, the same areas that they supervise in PZU Życie as PZU Group Director.

What follows is a presentation of the scope of responsibilities of the members of the PZU Management Board and the PZU Group Directors as at the end of 2022.

Full name	Function in the PZU Group	Scope of responsibilities as at the end of 2022	Additional scope of responsibilities during the year
Beata Kozłowska-Chyła	President of the PZU Management Board since 2 October 2020 / Acting President of the PZU Management Board from 12 March 2020 to 1 October 2020	internal audit, compliance, PZU Group strategy, strategic analyses, corporate communication, reinsurance	-
Ernest Bejda	Member of the PZU Management Board since 4 May 2020	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	IT, innovation
Krzysztof Kozłowski	Member of the PZU Management Board since 4 August 2021	corporate management and corporate governance in the PZU Group, administration, project management, business development in the PZU Group	health insurance
Małgorzata Kot	Member of the PZU Management Board since 10 September 2020 / PZU Group Director at PZU from 16 April 2020 to 9 September 2020	PZU branch network management, retail sales (tied-agent, multi-agent, broker and dealer channels), remote sales, retail distribution strategy, retail sales support, sales analyses	-
Tomasz Kulik	Member of the PZU Management Board since 14 October 2016	actuarial science, finance	investments
Piotr Nowak	Member of the PZU Management Board since 28 April 2022	investment, IT, innovation	-
Maciej Rapkiewicz	Member of the PZU Management Board since 22 March 2016	risk	-
Małgorzata Sadurska	Member of the PZU Management Board since 13 June 2017	assurbanking, bancassurance and strategic partnership programs, corporate sales and corporate business development, corporate product management, analysis, underwriting and risk assessment of corporate insurance, financial risk insurance, corporate business services, marketing, sponsorship, prevention	-
Krzysztof Szypuła	Member of the PZU Management Board from 10 September 2020 to 4 February 2022 / PZU Group Director at PZU since 4 February 2022 to 31 December 2022	management of mass products, health products and insurance programs, CRM, strategic product offer management, tariff actuarial services, underwriting	IT, innovation, mobile application development, digital services

Full name	Function in the PZU Group	Scope of responsibilities as at the end of 2022	Additional scope of responsibilities during the year
Aleksandra Agatowska	Member of the PZU Management Board from 24 October 2019 to 19 February 2020 / PZU Group Director at PZU since 20 February 2020 / Member of the PZU Życie Management Board since 25 March 2016, Acting President of the PZU Życie Management Board from 19 February 2020 to 14 February 2021 / President of the PZU Życie Management Board since 15 February 2021	client experience management	health insurance, marketing, sponsorship, prevention,
Bartłomiej Litwińczuk	PZU Group Director at PZU since 19 August 2016	HR, advisory services and legal services	-
Dorota Macieja	PZU Group Director at PZU since 15 March 2017	sustainable development, customer communication, real estate	-
Andrzej Jaworski	PZU Group Director at PZU since 15 April 2022	health insurance	-

In 2022, in addition to the committees established at the level of the PZU Supervisory Board, the following committees operated at PZU:

- PZU Group's Risk Committee;
- Investment Risk Committee
- Actuarial, Operational and Model Risk Committee;
- Investment Committee
- Asset-Liability Management Committee;
- Data Governance Committee;
- Sponsorship, Prevention and CSR Committee;
- Innovations Committee;
- PZU Pricing Committee;
- Real Estate Sales Committee;
- Procurement Committee;
- Initiatives Management Committee;
- Cost Committee;
- Crisis Management Team (which is responsible for overseeing over the operation of the business continuity management system and for managing emergencies).

B.1.3. Duties and responsibilities of persons overseeing key functions

Persons overseeing the key functions in the PZU Group are obligated to cooperate and share information to the extent required for each one of them to complete his or her objectives. Persons overseeing key functions to procure the ability to perform their duties in an objective, accurate and independent manner are provided direct access to the management board, supervisory board

and employees, have the necessary authorizations, resources and experience and an unlimited access to all the information necessary to perform their assigned duties.

The way in which the key functions in the PZU Group are organized, where the areas of responsibility are clearly and duly divided, ensures their operational independence.

The persons overseeing key functions in PZU Group's insurance companies take part in meetings of management board or supervisory board members, during which they submit statements or reports on the supervised areas, with particular consideration of risks identified in those areas. They also give advice to the management board or the supervisory board in matters pertaining to the ongoing activity of that PZU Group company.

The PZU Group has implemented policies and procedures to ensure that the persons holding and overseeing key functions have the appropriate educational background, qualifications, experience and that they meet all the necessary regulatory requirements.

In principle, the persons in charge of the key functions do not participate in the implementation of processes and tasks going beyond those key functions. The key functions are performed so as to ensure impartiality and independence from operational processes.

B.1.4. Material changes to the system of governance which took place during the reporting period

During the reporting period, there were changes in the composition of the PZU Supervisory Board and PZU Management Board, as well as in the positions of PZU Group Directors in PZU, as described below.

In 2022, the following changes transpired in the PZU Supervisory Board:

- 1) On 31 August 2022, 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.
- 2) On 1 September 2022, the Extraordinary Shareholder Meeting of PZU appointed Piotr Wachowiak as Member of the PZU Supervisory Board;
- 3) On 27 October 2022, the PZU Supervisory Board appointed Robert Jastrzębski as the Chairman of the PZU Supervisory Board.

As at 31 December 2022, the current joint term of office of the members of the Supervisory Board of PZU, covering three consecutive full financial years 2020–2022, ended.

In 2022, the following changes transpired in the PZU Management Board:

- 1) On 4 February 2022, Krzysztof Szypuła tendered his resignation from the PZU Management Board;
- 2) 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.

As at 31 December 2022, the current joint term of office of the members of the Management Board of PZU, covering three consecutive full financial years 2020–2022, ended.

On 16 December 2022, the PZU Supervisory Board appointed, effective 1 January 2023, the PZU Management Board for another joint term of office covering financial years 2023–2025. The following persons were appointed to the PZU Management Board for the new term of office: Beata Kozłowska-Chyła, Ernest Bejda, Małgorzata Kot, Krzysztof Kozłowski, Tomasz Kulik, Piotr Nowak, Maciej Rapkiewicz and Małgorzata Sadurska.

With regard to PZU Group Director positions at PZU, the following changes occurred in 2022 and 2023:

- 1) Krzysztof Szypuła took over the position of PZU Group Director on 4 February 2022, a position he held until 31 December 2022;
- 2) Andrzej Jaworski took over the position of PZU Group Director on 15 April 2022;
- 3) Sylwia Matusiak took over the position of PZU Group Director on 1 January 2023;
- 4) Małgorzata Skibińska took over the position of PZU Group Director on 1 February 2023.

The persons listed in items 1–3, who are PZU Group Directors, are simultaneously members of the PZU Życie Management Board. The person listed in item 4, at PZU Życie, also holds the position of the PZU Group Director.

As at the date of the Solvency and Financial Condition Report, the following persons comprised the PZU Management Board:

- 1) Beata Kozłowska-Chyła – President of the PZU Management Board;

- 2) Ernest Bejda – Member of the PZU Management Board;
- 3) Małgorzata Kot – Member of the PZU Management Board;
- 4) Krzysztof Kozłowski – Member of the PZU Management Board;
- 5) Tomasz Kulik – Member of the PZU Management Board;
- 6) Piotr Nowak – Member of the PZU Management Board;
- 7) Maciej Rapkiewicz – Member of the PZU Management Board;
- 8) Małgorzata Sadurska – Member of the PZU Management Board.

This Solvency and Financial Condition Report was accepted by the PZU Management Board in the composition given above.

B.1.5. Information on the principles and practices of compensating members of the Supervisory Board, the Management Board and employees

Members of the PZU Supervisory Board do not receive variable compensation pegged to PZU's performance. The compensation rules applicable to the Supervisory Board members are set directly by the Shareholder Meeting. In 2022, members of the PZU Supervisory Board received a fixed monthly remuneration, in the amount set in a resolution of the PZU Extraordinary Shareholder Meeting adopted on 8 February 2017 on the rules for setting the compensation of PZU SA Supervisory Board Members (as amended) and in accordance with Resolution No. 36 of the PZU Ordinary Shareholder Meeting of 26 May 2020 in the matter of Compensation Policy for the PZU SA Management Board and Supervisory Board Members, which was adapted to the reference range defined pursuant to Article 10 of the Act on the Rules for Shaping the Compensation of Persons Managing Certain Companies. The Policy adopted in 2020 includes in particular the following regulations: the Act on the Rules for Shaping the Compensation of Persons Managing Certain Companies, the Act on Public Offerings, delegated regulation, Insurance Activity Act and Corporate Governance Rules.

The rules for compensating the PZU Management Board members are shaped by the PZU Supervisory Board and stipulate that the total compensation payable to a PZU Management Board member for rendering management services and discharging other obligations ensuing from the Management Services Provision Agreement consists of the following:

- fixed compensation – flat monthly base compensation (for a calendar month) that cannot exceed the reference range established pursuant to Article 4(2) of the Act on the Rules for Shaping the Compensation of Persons Managing Certain Companies without prejudice to the situations outlined in Article 4(3) of the said Act;
- variable compensation – supplementary compensation for a given financial year depending on the extent to which management objectives are attained. The variable compensation for a given financial year may not exceed the percentage, set out in the aforementioned act, of the annual fixed compensation in the previous financial year for which the amount of variable compensation due is to be calculated. In addition, a significant portion of the variable compensation is awarded in the form of deferred variable compensation. Deferred variable compensation is subject to deferral for 3 years. 12, 24 and 36 months, respectively from the date of allocation, a Management Board member may acquire the right to 1/3 of the deferred variable compensation for a given year subsequent to satisfying the conditions defined in the Management Services Provision Agreement.

PZU has defined the rules of compensating employees, in particular the persons carrying out the key functions. The rules applicable to those persons are an element of an effective risk management at PZU and contain the rules of remuneration applicable to insurance market entities as stipulated by the existing law, the Corporate Governance Rules, the Delegated Regulation and the Insurance Activity Act.

Pursuant to the compensation policy, variable compensation is determined individually for employee groups or individuals. Its amount is linked to the financial performance of PZU and the individual's work performance. The rules for awarding variable compensation are designed to support proper and effective risk management, discourage excessive risk-taking beyond the limits accepted by the PZU Supervisory Board, as well as to support the implementation of the business strategy and avert conflicts of interest. Variable compensation may be subject to limitations in respect to the maximum amount that can be awarded. The Policy also provides for the option of deferring the disbursement of a significant portion of variable compensation. The compensation policy does not include an employee scheme of rights to shares, share options, additional pension and disability plans or else early retirement plans for the members of the Management Board, Supervisory Board of PZU or other persons overseeing key functions.

The compensation rules applicable in other subsidiaries conducting insurance activity are adapted to comply with the local legal requirements and are based on the rules described above that are in place at PZU.

B.1.6. Information on material transactions concluded during the reporting period with shareholders and members of the Management Board or Supervisory Board

In 2022, PZU paid a dividend to the shareholders, as described in section A.1.7.1.

B.2. Fit and proper requirements

B.2.1. Requirements regarding skills, qualifications and professional expertise of the persons who effectively run a PZU Group entity or have other key functions

In the PZU Group companies conducting insurance activity, the requirements regarding the skills, qualifications and professional expertise of the persons who effectively run a PZU Group entity or have other key functions are applied relative to their respective scopes of responsibilities, the existing law and internal regulations. The requirements mentioned above in the individual PZU Group companies are based on the rules implemented in PZU, as described above.

There are 4 groups of people distinguished within the group of the persons who effectively run PZU and have other key functions:

- 1) members of the PZU Supervisory Board, whose applicable requirements regarding skills, qualifications and professional expertise are regulated by PZU's Articles of Association;
- 2) managers, i.e. persons acting as a PZU Management Board Member or a PZU Group Director who concurrently serves as a PZU Życie Management Board Member;
- 3) persons overseeing key functions, i.e. persons designated as heads of the individual key functions by force of a directive of the President of the PZU Management Board;
- 4) persons with key functions in PZU, i.e. persons employed in PZU's organizational structures who, according to the organizational rules and regulations of that structure in PZU, hold key functions in that structure.

The requirements for Managers, persons overseeing key functions and persons holding key functions, respectively, are regulated separately.

In particular, a Manager must satisfy the following requirements:

- 1) meets the requirements set out in the PZU's Articles of Association;
- 2) gives a guarantee PZU's affairs are run with due care;
- 3) has full capacity to execute legal transactions;
- 4) was not convicted for a premeditated crime or intentional crime against tax regulations, under a legally binding court ruling;
- 5) is not a member of a governing body of:
 - a reinsurance undertaking,
 - a mutual fund company or an alternative investment fund manager within the meaning of the Act on Mutual Funds, operating under a valid license,
 - an entity conducting brokerage activity within the meaning of the Act on Trading in Financial Instruments or any other financial instrument trading activity in the meaning of that Act,
 - a universal pension fund company,
 - a bank.
- 6) has proven knowledge of the Polish language, as required by the Insurance Activity Act;
- 7) has professional experience and knowledge which are adequate to his or her function, in particular as regards:
 - the insurance and financial markets,

- the system of governance,
- financial and actuarial analysis,
- principles, rules and requirements under the laws applicable to PZU's operations, including the skills to adapt to changes in law.

A person overseeing a key function must in particular satisfy the following requirements:

- 1) holds a university degree obtained in Poland or another country in the meaning of the relevant laws in effect in that country, unless KNF issues a consent to forgo that requirement in view of the person's professional experience;
- 2) meets the requirements defined for Managers, referred to in items 2, 3, 4 and 7 above.

A key function holder must meet the requirements defined in his or her job description. Job descriptions for individual functions are drawn up based on PZU's organizational rules and regulations and the rules and regulations of a given organizational unit fulfilling the key function. The core requirements applicable to the aforementioned group of persons, broken down by key function, are described below:

- 1) for positions in the actuarial function, the requirements include: knowledge of insurance and financial mathematics and professional experience and education which are adequate to perform the tasks required in the individual position;
- 2) for positions in the risk management function, the requirements include: knowledge of underwriting risk assessment and underwriting risk provisioning, asset and liability management, capital investments - in particular in derivative instruments and similar financial instruments, liquidity and concentration risk management, operational risk management, reinsurance and other techniques of risk mitigation, as well as professional experience and education which are adequate to perform the relevant tasks;
- 3) for positions in the internal audit function, the requirements include: knowledge of risk assessment, process analysis and designation, audit work methodology, best practices for business processes, skills of providing recommendations based on audit findings collected in the course of a planned audit, as well as professional experience and education which are adequate to perform the relevant tasks;
- 4) for positions in the compliance function: the Company requires knowledge of compliance risk management, assessment of compliance risk, skills of developing system-based solution in the area of compliance risk as well as professional experience and education which are adequate to perform the relevant tasks.

B.2.2. Fit and proper evaluation of the persons who effectively run a PZU Group entity or have other key functions

In the PZU Group's insurance undertakings, the rules for conducting a fit and proper evaluation of the persons who effectively run a PZU Group entity or have other key functions are applied relative to their respective levels of responsibility, the existing law and internal regulations. These rules are based on the regulations and processes that PZU has in place, as described below.

The principles governing the evaluation of competence and reputation of Managers, persons overseeing key functions and persons holding key functions are regulated separately.

In keeping with the foregoing, the bodies responsible for the fit and proper evaluation are:

- 1) for Managers – the PZU Supervisory Board in the case of members of the PZU Management Board and the PZU Management Board in the case of PZU Group Directors who also serve as Members of the PZU Życie Management Board;
- 2) for persons overseeing key functions – the PZU Management Board;

The evaluation of Managers and persons overseeing key functions is conducted prior to the appointment to be a Management Board member or a PZU Group Director or to a position involving oversight over a key function. The assessment is verified on an annual basis in the evaluation update process or in other cases specifically defined in the pertinent regulations adopted in this respect. Direct superiors of persons performing key functions will conduct a fit and proper evaluation.

The fit and proper evaluation is conducted prior to the appointment to a key function or whenever the person is suspected of having acted in contravention with the law, which could result in particular in the subsidiary's non-compliance with the law or a financial crime.

The criteria applied in the above mentioned assessments are defined pursuant to the existing law, PZU's internal regulations and the relevant job description. The individual criteria are evaluated individually and form the basis for evaluating the person. The assessment is carried out based on the documents provided by the applicant confirming his or her compliance with the requirements, an assessment of his or her behavior and attitudes shown in the performance of professional duties, as well as information from other sources.

Every year, the PZU Management Board issues a report on the annual review of the evaluation of the persons overseeing key functions in PZU. This Report has been prepared on the basis of § 3 sec. 2 item 3 of the Principles for conducting the fit and proper evaluation and review of the persons overseeing key functions in PZU SA and PZU Życie SA.

The aforementioned report is prepared on the basis of information and statements submitted or completed by persons overseeing key functions in PZU. During the review of the fit and proper evaluation, the obligated employees complete or confirm the documents and statements submitted earlier.

Based on the collected documents and also on the basis of knowledge as at the date of preparing the Report, if no indications arise that may change the fit and proper evaluation of the respective individuals, the HR Management Department at PZU recommends that the previous evaluation in this respect is upheld. If the HR Management Department at PZU learns of any circumstances that may affect its recommendation, it will immediately update it.

Taking into account the "Methodology of assessment of suitability of members of corporate bodies of supervised entities by the Polish Financial Supervision Authority" published by KNF on 27 January 2020, in 2020 PZU carried out an analysis of completeness of the formal solutions adopted in this respect for PZU Management Board and PZU Supervisory Board members and rationale for updating them.

As a result of the completed analysis, on 18 November 2020, the PZU Supervisory Board adopted a resolution on the "Rules for assessment of suitability of the PZU SA Supervisory Board and Audit Committee" (URN/111/2020).

The procedure was adopted on 16 June 2021 by the Ordinary Shareholder Meeting of PZU, which at the same time accepted the PZU SA Supervisory Board's report on the results of assessment of suitability of the PZU SA Supervisory Board and Audit Committee conducted by the PZU Supervisory Board in the transition period, i.e. between 18 November 2020 (i.e. the date of resolution URN/111/2020) and 16 June 2021 (i.e. the date of adoption of the rules for assessment of suitability by the Ordinary Shareholder Meeting of PZU).

The rules for assessment of suitability of the PZU Supervisory Board and the Audit Committee set out, among others, the types of suitability assessments and the prerequisites for conducting them, the powers of the PZU Supervisory Board and the PZU Shareholder Meeting in the suitability assessment process, the requirements as to the personnel composition of the PZU Supervisory Board, the suitability assessment criteria and the process of conducting the assessment.

As regards the PZU Management Board members, on 18 November 2020, the Supervisory Board defined the rules for assessment of suitability by resolution No. URN/129/2020 on the "Rules for assessment of suitability of the PZU SA Management Board", which was subsequently amended by resolution No. URN/46/2021 of 12 May 2021. In connection with the adoption of the above procedure, on 20 January 2022 the PZU SA Supervisory Board adopted resolution No. URN/4/2022 repealing the rules of assessment prevailing in this respect, i.e. the Principles for Assessment and Verification of Competence and Integrity of Members of the PZU and PZU Życie Management Boards and those PZU Group Directors at PZU who are also Members of the PZU Życie Management Board (URN/16/2018).

The Rules currently applicable to PZU Management Board Members define, among others, the types of suitability assessments and the prerequisites for conducting them, the powers of the PZU Supervisory Board and the Nomination and Compensation Committee in the suitability assessment process, the requirements as to the personnel composition of the PZU Management Board, the suitability assessment criteria and the process of conducting the assessment.

As regards the PZU Group Directors who are also Members of the PZU Życie Management Board, the fit and proper evaluation is made on the basis of the Principles for Assessment and Verification of Competence and Integrity of PZU Group Directors in PZU SA who are also Members of the PZU Życie SA Management Board and the PZU Group Directors in PZU Życie SA who are also Members of the PZU SA Management Board, in the wording set out in Resolution No. UZ/322/2021 adopted by the PZU Management Board on 3 December 2021. This procedure sets out the rules for conducting a fit and proper evaluation of a PZU Group Director candidate and then for their subsequent review: (1) once a year during the fit and proper evaluation update process, (2) if the PZU Group Director is suspected of acting in contravention with the law, which could result in particular in the company's non-compliance with the law, its committing of a financial crime or a threat to sound management of the company.

B.3. Risk management system, including own risk and solvency assessment

B.3.1. Description of the risk management system

PZU exercises supervision over the PZU Group's risk management system on the basis of cooperation agreements entered into with material subsidiaries. These agreements form the cooperation framework, among others for the risk management process in the PZU Group, enable the collection and processing of information necessary for adequate and effective management of risk at the PZU Group level. They also guarantee that the various risks generated by the individual companies in the PZU Group are assessed and are based on the same standards, taking into account the requirements and restrictions arising from the applicable law. The method of implementing the systems in the individual PZU Group companies matches their size, materiality of risks, sectoral regulations and specific regulations in effect in the respective countries.

The PZU Management Board has adopted the PZU Group's risk management strategy, in order to:

- enhance value for all stakeholders through active and deliberate management of the extent of risk taken;
- prevent the acceptance of risk at a level that could pose a threat to the financial stability of the PZU Group or the PZU Group Financial Conglomerate.

Risk management in the PZU Group is based on analyzing risk in all processes and units and therefore it is an integral part of the management process.

The risk management system in the PZU Group is based on the following:

- split of duties and tasks performed by governing bodies, committees and organizational structures taking part 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 consistent split of duties and tasks in the PZU and in individual subsidiaries is based on four decision-making levels.

The first three entail the following:

- supervisory boards, supervising the risk management process and assessing its adequacy and effectiveness, by way of decisions specified in the articles of association of the PZU Group companies and in their rules and regulations. In order to increase effectiveness of supervision performed by supervisory boards, among others in respect to the monitoring of effectiveness of the risk management system, supervisory boards may appoint audit committees;
- management boards, which organize and ensure the operation of the risk management system by adopting risk management strategies and policies, defining the appetite for risk, the risk profile and tolerance for individual categories of risk;
- committees, which make decisions to mitigate individual risks to a level determined by the risk appetite. The committees adopt procedures and methodologies for mitigating the individual risks and accept individual risk limits. The PZU Group Risk Committee provides support (for supervisory boards and management boards of subsidiaries) in the implementation of an effective risk management system consistent across the whole PZU Group. The operational objective of the PZU Group Risk Committee is to coordinate and supervise activities related to the PZU Group's risk management system and processes.

The fourth decision-making level pertains to operational measures and is divided into three lines of defense:

- the first line of defense – entails ongoing risk management at the level of organizational structures of the individual PZU Group entities and decision-making as part of the risk management process, while taking into account the limits for individual risks. The management is responsible for the implementation of an effective risk management system in the supervised area of the activity, in particular for designing and ensuring efficient operation of identification and monitoring actions as integral components of operating processes, ensuring appropriate response to existing risks;
- the second line of defense – includes risk management by specialized organizational units in individual PZU Group companies that are responsible for risk identification, measurement, monitoring and reporting, as well as for limits control. Within the second line of defense, certain units in the PZU Head Office play a special role by coordinating the process among PZU Group companies: Risk Department, Compliance Department, Security Department, Planning and Controlling Department, Actuarial Department, Reinsurance Department, Legal Department and HR Management Department;

- 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. This function is performed by the internal audit unit.

In 2022, the Actuarial, Operational and Model Risk Committee was founded in PZU and PZU Życie, which enables further development of the 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.

The risk management process consists of the following stages:

1) Risk identification

The process commences with a proposal to start developing an insurance product, buying a financial instrument, modifying an operating process, as well as whenever some other event occurs that may potentially lead to the emergence of risk. The identification process continues until the expiration of liabilities, receivables or activities associated with the risk. Risk identification involves identification of actual and potential sources of risk, which are later analyzed in terms of significance.

2) Risk measurement and assessment

Risk measurement and assessment are carried out depending on the nature of the given type of risk and the level of its importance. Risk measurement is carried out by specialized organizational structures within the respective PZU Group companies. They are responsible for the development of tools and the measurement of risk in terms of risk appetite, risk profile and risk tolerance.

3) Risk monitoring and control

Risk monitoring and control consists in the ongoing analysis of deviations from benchmarks (limits, threshold values, plans, figures from prior periods, recommendations and guidelines).

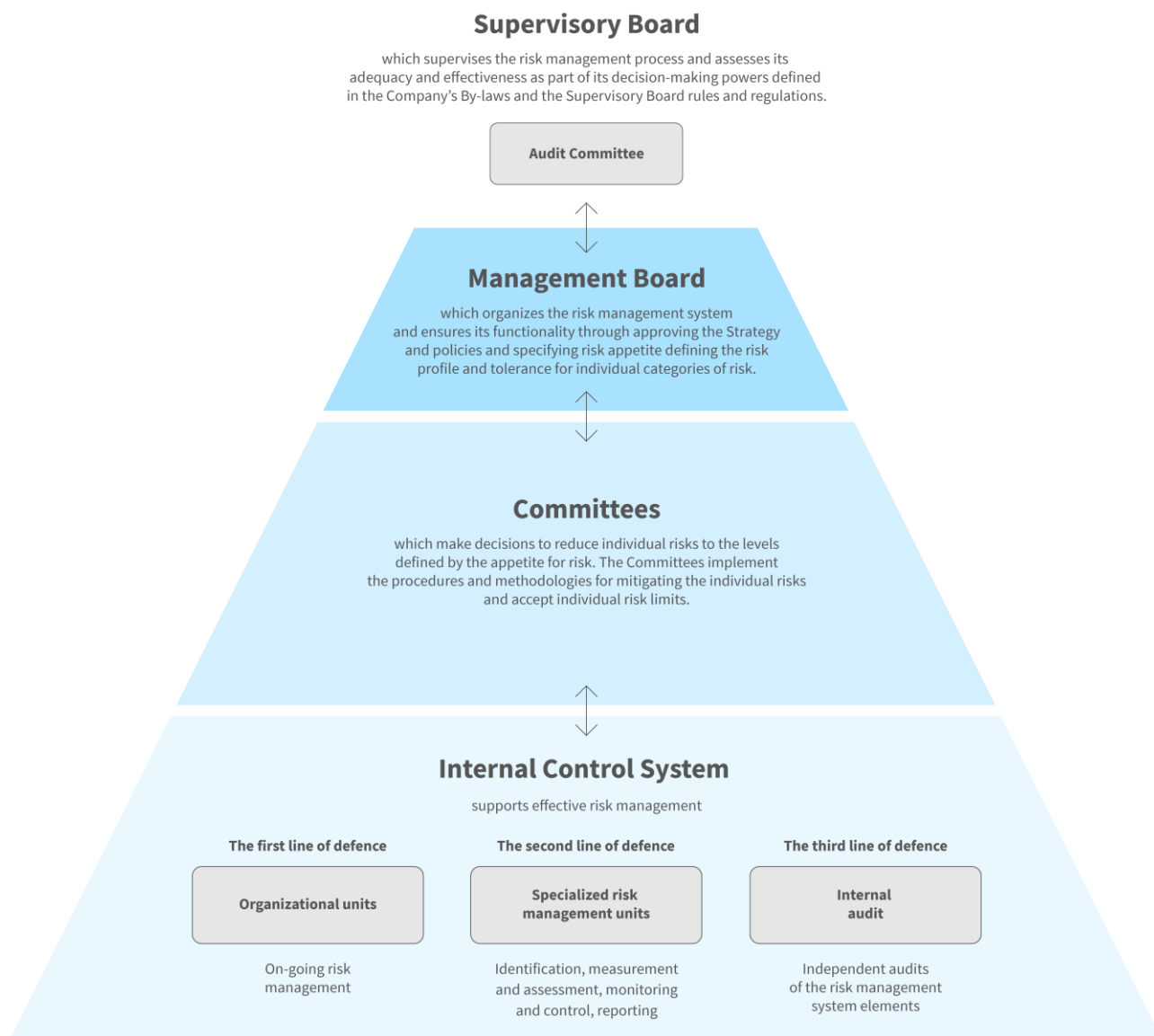
4) Reporting

Reporting allows for effective communication on risk and supports risk management on various decision-making levels;

5) Management actions

These actions include among others: risk avoidance, risk transfer, risk mitigation, determination of risk appetite, acceptance of risk level and the use of tools supporting such actions.

Chart of the organizational structure for the risk management system



The risk management function at the PZU Group level is run by the Risk Department at PZU, which develops the risk management process by preparing and updating the relevant internal regulations relating to risk management (including recommendations for subsidiaries) and performs various activities related to risk management process, in particular:

- the development and implementation of a risk management strategy and management policies for individual types of risk;
- the development of measurement methods for individual types of risk;
- the design and development of tools to support the risk management process;
- the identification, measurement and assessment, monitoring and controlling of risks;
- risk reporting and proposals of risk mitigating measures;
- drafting the proposals regarding the limits and restrictions grid and the key risk indicators (KRI);
- drafting control reports and monitoring the utilization of limits and restrictions;
- preparation of risk management rules and methodologies;
- preparation of risk information for the regulatory authority and rating agencies;
- stress-testing;

- acting as a competence center for risk management.

The person overseeing the risk management function is the Director of the Risk Department at PZU, who reports to a PZU Management Board Member responsible for risk management. The Risk Department at PZU is responsible for the risk management regime; in that process the Department collaborates with the relevant structures in the PZU Group.

B.3.2. Own risk and solvency assessment

The own risk and solvency assessment (ORSA) process is an integral part of the financial planning process and consists of the following stages:

- drafting and approval of the process assumptions in the given year;
- drafting and approval by the relevant organizational structures of a PZU Group company and then forwarding to the cells responsible for risk in that entity, of data consistent with the valuation adopted in the SII system and consistent with the PZU Group Strategy and financial plans of the PZU Group;
- analysis and assessment of risks;
- analysis of the fulfillment of requirements concerning technical provisions;
- conducting an assessment of the capital required to implement the assumptions of the financial plan;
- assessment of the capital condition of the PZU Group (aggregated) through stress testing;
- analysis of the consistency with risk appetite and the risk profile;
- proposal of changes regarding reduction in the risk exposure or increase of own funds, where necessary;
- changes to the financial plan or draft financial plan, where necessary;
- approval of the results of own risk and solvency assessment and initiation of possible management measures;
- documenting the outcome of the own risk and solvency assessment process in the form of a report;
- drafting of the own risk and solvency assessment protocol;
- provision to the regulatory authority of the own risk and solvency assessment report for the authority's purposes.

The own risk and solvency assessment process, and the analyses it involves, have been construed as to ensure support for the financial planning process in terms of risk profile analysis and evaluation of compliance with the capital requirements within the planned time horizon and the financial plan assumptions. It also constitutes the summary and review of efficiency of the measures taken in the risk management process.

The structure of the own risk and solvency assessment process and the responsibilities of its individual participants in the PZU Group have been adjusted to complement the obligations of the individual PZU Group units based on their decision-making powers specified in the system of governance and on the financial planning process. The PZU Management Board is responsible for organizing and ensuring efficient functioning of the own risk and solvency assessment process. Management Board members in subsidiaries overseeing the units participating in the process oversee the activities related to the own risk and solvency assessment process in their reporting areas and approve the data and analyses prepared in their areas that are required to conduct the own risk and solvency assessment. The Risk Department at PZU develops the PZU Group's own risk and solvency assessment process, coordinates the assessment as it is conducted and conducts an assessment of own solvency needs, continuous compliance with capital requirements and deviation of the risk profile from the assumptions underlying the calculation of the solvency capital requirement. All the prognostic data are delivered to the Risk Department at PZU through the intermediation of the PZU Planning and Controlling Department, which is responsible for their internal consistency and consistency with financial plans.

ORSA is conducted regularly, at least once a year or ad hoc, after the occurrence of material changes to the risk profile arising from changes in internal operations or changes in the business environment. The frequency of the own risk and solvency assessment process is consistent with the frequency of revisions of financial plans and the accompanying new business development projections corresponding to the implementation of the PZU Group Strategy and incorporating the changes resulting from portfolio growth and changes in the business environment.

The results of ORSA are documented in the form of a report. The report is subject to an independent review by the Internal Audit Department at PZU and then, after the PZU Group's Risk Committee issues its opinion on the report, it is subject to approval by the PZU Management Board.

The assessment of general solvency needs is conducted for all the risks identified as material in the PZU Group Strategy and the individual risk management policies, i.e. underwriting risk, market risk, counterparty insolvency risk and operational risk. The analysis also covers compliance risk and liquidity risk.

The assessment of general solvency needs in 2022 covered the 3-year forecast horizon, taking into account the timeframe of the PZU Group Strategy current as at the moment of preparation of the assessment and the accompanying financial plans and the supervisory requirement for the minimum forecast horizon (three years). In addition, due to the identification of significant changes in the environment, an additional ad hoc process was conducted in Q2 2022. As part of the assessment of general solvency needs, analyses have been conducted to determine whether, with the current business strategy, the PZU Group would maintain the necessary capital level that is adequate to the risk it is currently exposed to and to which it may be exposed in the future (including in the case of sudden events reflected in stress-test scenarios). The tested scenarios have been designed on the basis of the PZU Group's risk profile, allowing for a review of its capital needs in new situations involving significant changes in the macroeconomic environment and also shocks typical for the insurance sector. Moreover, the analysis includes scenarios that affect both assets as well as equity and liabilities.

If the own risk and solvency assessment identifies a potential decline in the solvency ratio below the acceptable level or an overrun of the risk profile limits, Director of the PZU Risk Department, in cooperation with Director of the PZU Planning and Controlling Department, presents the possible measures, including changes to financial plans, in order to mitigate the risk or to increase own funds. Those measures are then submitted for approval to the Member of the PZU Management Board overseeing the PZU Risk Department, in consultation with the Member of the PZU Management Board overseeing the PZU Planning and Controlling Department.

B.4. Internal control system

B.4.1. Description of the internal control system

The internal control system in the PZU Group 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 attainment of the PZU Group's objectives and security and stability of its operations, implemented to ensure the following in a reasonable manner:

- 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 information affecting the 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,
- compliance of the Company's activity with the law, internal regulations and the accepted standards of conduct;
- efficient acquisition and transfer of any data and information that may be important to supplementary oversight.

The internal control system supports the attainment of objectives; as a result, the system must focus on the following areas:

- internal control environment, i.e. promoting the importance of control among employees and promoting management supervision, management style, including delegation of tasks, honesty, ethical values and employee development;
- risk identification and assessment, including containment at an acceptable level;
- control activities and split of responsibilities;
- quality and communication of information, i.e. ensuring the flow of information that enables the Company to run and control its operations;

- monitoring of the efficiency of control mechanisms.

Relative to the type of tasks, the scope of internal control includes in particular:

- completeness, up-to-dateness and compliance of the Company's relevant internal regulations with the existing law;
- correctness, completeness and timeliness of activities, including document circulation;
- correctness or organization and allocation of work;
- observance of powers-of-attorney, authorizations, limits and other control elements, especially relating to:
 - signing of internal and external correspondence;
 - entering into transactions, which result in incurring liabilities;
 - business decision-making;
 - use of IT systems;
- correctness of processes;
- correctness of accounting records;
- safety of IT systems and ICT networks;
- safety of protected information, within the meaning of the applicable internal regulations.

If an employee identifies irregularities found as a result of an inspection, the employee is obligated to document and notify them to his/her direct superior. At the same time, the employee is obligated to report irregularities in accordance with the applicable internal regulations. PZU Group entities take action to rectify the deficiencies and further action is taken if necessary.

B.4.2. Compliance function

The purpose of the compliance function is to ensure an effective management system for the risk of non-compliance with regulatory requirements and the internal regulations.

The compliance function comprises:

- advising the management and supervisory boards of the various insurance entities of the PZU Group on regulatory compliance;
- evaluation of the possible impact of changes in the legal environment on the operations,
- identification and assessment of the risk associated with non-compliance with the existing law, internal regulations and the adopted standards of conduct.

The compliance function includes in particular the following tasks:

- implementation of a comprehensive system of compliance solutions, monitoring them and continuously refining them;
- introduction of processes and procedures to ensure effective management of compliance risk;
- establishment of the rules for ensuring compliance with regulations, including the definition of responsibilities, competences and reporting duties of the compliance function;
- developing the compliance assurance plan entailing the planned actions of the compliance function that incorporate all the areas of the activity and their exposure to risk related to adherence to regulations;
- assessment of the suitability of measures to prevent non-compliance.

PZU's Compliance Department is responsible for shaping the PZU Group's compliance system while ensuring its consistency across all levels within the PZU Group. PZU's Compliance Department is overseen by the Managing Director on Regulations, which reports directly to the President of the PZU Management Board and oversees the compliance function. PZU's Compliance Department reports to the PZU Management Board and Supervisory Board on all events occurring at the level of both PZU and the subsidiaries with which agreements on cooperation and exchange of information have been signed. Recommendations issued by the Compliance Department at PZU as part of its activities and compliance analyses are subject to the monitoring process.

In each PZU Group company, the compliance function is arranged based on uniform and consistent standards developed at the PZU level in consideration of the 'proportionality principle', that is while taking into account the scale and specific nature of the

pertinent PZU Group company. The internal regulations in place delineate the extent and nature of activities of the compliance function, including regular reporting by the subsidiaries' compliance units to PZU's Compliance Department, and then by PZU's Compliance Department to the PZU Management Board and Supervisory Board. This notwithstanding, the subsidiaries' compliance units also report to their own management boards or supervisory boards. The compliance function in PZU Group companies is objective and independent.

The most significant powers of PZU's Compliance Department in the area of compliance risk in the PZU Group are as follows:

- analyzing and participating in the process of deploying systemic solutions in all functional areas of PZU Group companies and ongoing business processes in terms of compliance risk;
- initiating and recommending changes in systemic solutions and analyzed processes in place at PZU Group companies ensuing from compliance analyses;
- ensuring coordination and uniform solutions in deploying the compliance function and managing compliance risk in the PZU Group;
- consulting and cooperating with subsidiaries in order to ensure uniform solutions in deploying the compliance function in the PZU Group, fulfilling reporting obligations arising from the Supplementary Supervision Act and adopting a consistent approach of the PZU Group's regulated subsidiaries to the preparation of responses to inquiries sent by the Polish Financial Supervision Authority systemically to regulated entities;
- consulting and exchanging information with subsidiaries in order to ensure consistency in the process of compliance risk identification and assessment;
- conducting systemic compliance analyses in PZU Group companies based on internal regulations, cooperation agreements and policies;
- system-level reporting on compliance risk in the PZU Group;
- monitoring observance of the standards of conduct, including ethical standards, in consideration of the best practices adopted in PZU Group companies.

As part of the exchange of information and cooperation with subsidiaries in the area of the compliance function, PZU's Compliance Department participates in the deployment, in these companies, of uniform standards and key methodological solutions. The formal basis for cooperation in the area of the compliance function is provided by agreements on cooperation and exchange of information and the provisions of the PZU Group's Compliance Policy which define in detail the rules, extent and nature of such cooperation between PZU and its subsidiaries.

The PZU Compliance Department cooperates with the compliance units of banking sector entities, taking into account the rules of cooperation between these units in the parent and subsidiary entities, which are defined in KNF's Recommendation H.

B.5. Internal audit function

B.5.1. Description of the implementation of the internal audit function

PZU's Internal Audit Department coordinates the operation of the internal audit function in PZU Group companies through creating uniform standards and exchanging information pertaining to internal audit. The internal audit function is overseen by the Managing Director for Audit, who runs the Internal Audit Department in PZU, reports organizationally directly to the President of the PZU Management Board and functionally to the Supervisory Board's Audit Committee. Internal audit obtains information from PZU Group companies, with which cooperation agreements have been signed, regarding the adequacy and effectiveness of their risk management and internal control systems. Key methodological solutions of PZU's Internal Audit Department have been introduced in PZU Group companies (taking into consideration their formal and legal context, specific nature and scale of business).

With respect to the PZU Group, the main tasks of PZU's Internal Audit Department are as follows:

- harmonizing the rules of operation of internal audit;
- coordinating the preparation of audit plans;

- executing audit tasks;
- obtaining information from internal audit units in PZU Group companies;
- compiling information on PZU Group companies in reports on the activities of PZU's Internal Audit Department to the PZU Management Board and to the PZU Supervisory Board Audit Committee.

The cooperation of the PZU Internal Audit Department with the internal audit units of banking sector entities is conducted taking into account the rules of cooperation between internal audit units of the parent and subsidiary entities which are defined in KNF's Recommendation H pertaining to the internal control system in banks.

Internal audit in PZU Group companies may be pursued by:

- internal audit units in PZU Group companies;
- PZU's Internal Audit Department, in keeping with the rules resulting from the cooperation agreements entered into with PZU Group subsidiaries.

The scope of internal audit includes: an independent risk assessment, an examination of all organizational structures in PZU Group companies, products, systems, business processes and risk management processes, with a frequency that depends on the identified risk areas and the materiality of risks as well as on the role and effectiveness of internal control in mitigating those risks.

B.5.2. Independence and impartiality of internal audit

The internal audit function is impartial and independent of operational functions. The scope of audit activities performed in the individual audits and the post-audit evaluations are autonomous decisions of the auditors involved. 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. Furthermore, an auditor cannot audit activities they have themselves performed or managed before one year has elapsed. PZU has implemented the Auditor's Code of Ethics, based on the Institute of Internal Auditors (IIA) Code of Ethics. 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. Internal auditors may not accept responsibility for the operational activity that is assessed by internal audit.

The independence of the internal audit function is guaranteed by the provisions of the pertinent internal regulations.

PZU Group's auditors are a team of high professional and ethical qualifications, having the knowledge, skills and expertise in auditing.

To ensure the proper execution of their tasks, auditors have access to the necessary information, explanations, documents and data, allowing for the timely and correct performance of their duties, taking into account the restricted access to information prescribed by the generally applicable provisions of law.

The Internal Audit Department at PZU prepares annual activity reports which include:

- information on audits performed (including the achievement of the audit plan);
- evaluation of the internal control system and the risk management system.

The Internal Audit Department at PZU also prepares quarterly reports covering the following issues in particular:

- information on the progress in implementing the audit plan;
- information on the findings of internal audits and on the recommendations made and rejected (risk acceptance);
- information on the recommendation monitoring results, including any significant actions taken in order to implement the material recommendations (priority A) timeliness of their implementation, while explaining any possible departures from the performance of the original plan.

The Managing Director for Audit confirms the independence and objectivity of the internal audit function in the quarterly and annual statements described above. The reports are provided to the PZU Management Board and the Audit Committee of the PZU Supervisory Board and include information reported by internal audit units of PZU Group companies.

B.6. Actuarial function

PZU Group companies involved in the conduct of insurance business are separate entities and have their own actuarial functions in place. The tasks of actuarial functions are uniform across the PZU Group. Due to peculiarities of specific markets, certain methodological differences may exist between the activities undertaken by these functions in various companies. To the maximum extent possible, the functions in question operate on an independent basis. However, they remain in constant contact with each other and consult each other on their various doubts. The PZU Actuarial Department plays the role of the coordinator and advisor of highest instance. Supervision over all issues in this area is exercised by PZU's Chief Actuary who is simultaneously the Director for Underwriting Risk in the PZU Actuarial Department.

Cooperation in the field of actuarial services in the PZU Group is aimed at optimizing the standards of operation and execution of business processes, ensuring the seamless flow of information between PZU and its insurance subsidiaries and guaranteeing the security of information provided. The subsidiaries exercise due care to ensure that their operations comply with the rules of cooperation in the PZU Group, without losing sight of their specific nature of activity and their particular legal or business considerations. The subsidiaries retain autonomy of their actuarial function, except that PZU plays a coordinating and advisory role in this field in relation to them. In principle, PZU's cooperation with the subsidiaries is pursued on an ongoing basis by way of mutual consultations, with the reservation that PZU may provide guidelines, assumptions, rules, procedures and recommendations if it sees fit to do so in the interests of the PZU Group. The subsidiaries, within the time limits, in the form and manner defined sufficiently in advance, provide the following:

- information necessary for the fulfillment, by PZU's actuarial function, of information or reporting duties imposed on PZU in accordance with the applicable provisions of law;
- information, plans, materials and documents pertaining to the subsidiary and its subsidiaries along with explanations regarding such documentation, if necessary. The subsidiaries obtain from their own subsidiaries information and documents necessary to fulfill this duty.

Notwithstanding the above duties, the subsidiaries fulfill the disclosure obligations required by the applicable laws and conduct their own information policy.

Accordingly, the extent of cooperation covers the broadly construed actuarial activities necessary to fulfill the duties of the actuarial function. The principles of cooperation were included in the "PZU Group Cooperation Policy in the Actuarial Area" implemented in 2018.

B.7. Outsourcing

The PZU Group's insurance entities have adopted the outsourcing rules, which also govern the outsourcing of activities that the Group considers core or important.

PZU and its insurance subsidiaries do not entrust to any third parties the performance of functions forming part of the management system (the risk management function, the actuarial function, the compliance function or the internal audit function).

Outsourcing of basic or vital activities is justified in particular by the need to optimize costs and ensure high-quality customer service experience. These objectives are pursued by the PZU Group's insurance subsidiaries by entrusting the execution of selected processes to entities specializing in the provision of the services of a given kind.

Outsourcing contracts for the core or important activities contain provisions required by law, including those that guarantee the appropriate service level and a possibility for PZU Group entity and by authorized entities to verify the performance of the contracts. Draft contracts are reviewed by designated insurance units of PZU Group entities.

Moreover, intra-Group outsourcing agreements have been entered into (between PZU Group entities), under which certain core or important activities are entrusted, for instance: investing funds, handling claims, providing benefits, including assistance services, investment portfolio management and rendering insurance administration services. Such intra-Group outsourcing agreements for core or important activities are entered into on a long-term basis, in keeping with the applicable outsourcing rules,

especially in the area of risk assessment, and the required contractual provisions, including those securing the possibility of inspecting the performance of the contract by the entity entrusting the execution of activities.

The PZU Group's insurance entities monitor the outsourcing risk and manage the risk on an on-going basis and at the system-based level. In particular, the Company evaluates on an on-going basis the quality and timeliness of performance and, at least once a year, conducts a regular inspection of the suppliers to verify the quality of the services provided thereby. The system-based management of the outsourcing risk includes, inter alia, an evaluation of the outsourcing risk and reporting to the Management Board and the regulatory authority as regards performance of the obligations arising from prevailing laws.

C. Risk profile

PZU Group's risk profile results from the PZU Group Strategy and financial plans; it is subject to periodical monitoring and control. Given the scale of insurance operations by the PZU Group companies and the amount of funds earmarked for investment, the most significant risks are underwriting risk, market risk and the risk associated with the activity of undertakings operating in other financial sectors. In the last item, credit risk is the most important.

The PZU Group has in place a risk management system that is focused on both controlling risk as well as on maintaining the appropriate capitalization level. Through identification, measurement and assessment, monitoring and control and reporting of risks related to its operating activity and undertaking management activities in response to these risks, the PZU Group is able to fulfill its obligations to clients and business partners and comply with the requirements arising from the law and external regulations. In the PZU Group companies operating in the financial sector, the risk management system described in section B has been deployed and is based on the following stages:

- identification;
- measurement and assessment;
- monitoring and control;
- reporting;
- management actions.

The process is standardized across the PZU Group. The method of its implementation in the subsidiaries matches their size, materiality of risks, sectoral regulations and specific regulations in effect in the respective countries.

The table below presents the risk categories defined as material and identified in the internal regulations at the PZU Group level:

No.	Risk category	Definition
1	underwriting risk	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
2	market risk	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
3	counterparty default risk	counterparty default risk is 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, materializing in the form of the counterparty's default on a liability
4	operational risk	the risk of a loss resulting from improper or erroneous internal processes, human activities, system failures or external events
5	model risk	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
6	compliance risk	compliance risk is the risk that PZU, its subsidiaries or persons related thereto may infringe on the existing law, internal regulations and standards of conduct adopted by PZU or its subsidiaries, including ethical standards, which results or may result in PZU, its subsidiaries or persons acting on their behalf being subject to legal sanctions, or incurring financial loss or else loss of reputation or credibility

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 risks⁶, which are managed as part of individual risk categories specified below in the SFCR.

⁶ 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 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.

For the PZU Group Financial Conglomerate purposes, given the share of credit risk tied to the banking sector entities, a credit risk definition was adopted. It is defined as risk of a loss or an adverse change in the financial standing to which the PZU Group Financial Conglomerate is exposed, resulting from fluctuations in the trustworthiness and creditworthiness of securities issuers, business partners and all debtors, materializing through the counterparty's default on a liability or an increase in credit spread. This definition also includes credit risk in a regulated entity.

The credit risk management process covers the following risk categories:

- credit spread 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 credit spreads over the term structure of the interest rates on debt securities issued by the State Treasury;
- counterparty default risk – the possibility of incurring a loss as a result of unexpected default of counterparties and debtors or deterioration of their credit rating;
- credit risk in banking activity – credit risk resulting from activity in the banking sector, associated mainly with the possibility that a debtor or borrower defaults on their obligations;
- credit risk in financial insurance – possibility of incurring a loss resulting from business operations conducted in the financial insurance sector, related mainly to the possibility that a PZU Group customer defaults on its obligations to a third party, or a debtor/borrower defaults on its obligations to a PZU Group customer. This threat may result from failure to complete an undertaking or adverse influence of the business environment.

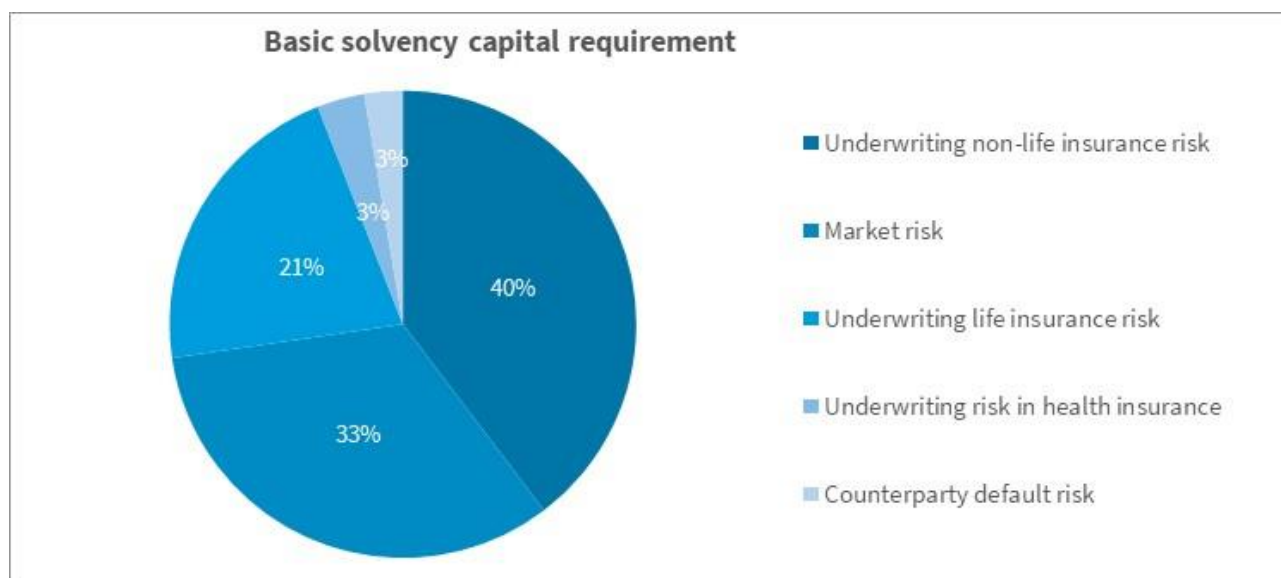
When managing each type of risk, the PZU Group identifies, measures and monitors risk concentration; for the banking sector, these processes occur at the level of respective PZU Group companies, according to requirements in the sector.

SCR of the PZU Group is calculated pursuant to Article 336 of the Delegated Regulation and consists of the following positions: a solvency capital requirement calculated on the basis of consolidated data following the rules laid down for the standard formula, the proportional share of the capital requirement (including hypothetical requirements) of undertakings from other financial sectors, the requirement for affiliated entities not consolidated by the full method. The solvency capital requirement is calculated on the basis of consolidated data and comprises the following 8 modules: market risk, counterparty default risk, underwriting risk in non-life insurance, underwriting risk in life insurance, underwriting risk in health insurance, intangible assets risk, operational risk and adjustment of technical provisions and deferred income taxation to cover losses. The first five modules are subject to the diversification effect; combined with the intangible assets risk, which is of marginal significance in Poland and equals zero at the PZU Group, the risks form the so-called basic solvency capital requirement (BSCR). In its SCR calculation, the PZU Group does not apply the transitory provisions.

The table below presents the value of the solvency capital requirement SCR and BSCR before and after the diversification effect as at 31 December 2022 and compared to the preceding year.

Sub-module name	Value (in million PLN)		Change 2022/2021	
	31 December 2022	31 December 2021	(PLN m)	%
Market risk	3,734	3,622	112	3%
Counterparty default risk	301	319	(18)	(6%)
Underwriting risk in life insurance	2,416	2,731	(315)	(12%)
Health underwriting risk	372	388	(16)	(4%)
Underwriting risk in non-life insurance	4,488	4,314	174	4%
Basic solvency capital requirement before diversification	11,311	11,374	(63)	(1%)
Diversification	(3,793)	(3,899)	106	(3%)
Basic solvency capital requirement after diversification	7,518	7,475	43	1%
Operational risk	837	767	70	9%
Adjustment for the loss-absorbing capacity of deferred taxes	(1,212)	(1,143)	(69)	6%
Solvency capital requirement calculated on the basis of consolidated data	7,143	7,099	44	1%
Capital requirement for other financial sectors	3,843	4,024	(181)	(4%)
Requirement for non-consolidated related business units	17	19	(2)	(11%)
PZU Group SCR	11,003	11,142	(139)	(1%)

The SCR for the PZU Group decreased by PLN 139 million on an annual basis. For the most part, the decrease is due to the decline in actuarial risk of life insurance. The factors driving changes in the solvency capital requirement calculated on the basis of consolidated data are described in the relevant SECTIONS. The PZU Group's SCR contributed to the decrease in the capital requirement for other financial sectors, which in turn was driven mainly by a decrease in the capital requirement for PTE PZU, which is presented in section E.6 of the SFCR. The decrease in PTE PZU's requirement resulted from the decrease in OFE Złota Jesień's net assets, which amounted to PLN 21,221 million as at 31 December 2022, decreasing by PLN 4,585 million from 31 December 2021, as well as the decrease in the percentage ratio itself for calculating the requirement. Due to a change in dividend policy for universal pension funds in 2022, the new requirement is 1% of the net asset value of pension funds managed by the fund. As at 31 December 2021, the ratio was 1.25%.



The PZU Group has in place internal procedures which transpose the obligations resulting from the principle of the prudent investor. As a result, the PZU Group invests its funds exclusively into assets and financial instruments for which it is able to measure, monitor and consequently manage the risks involved and properly incorporate them into the assessment of the overall solvency needs. Having ensured an adequate level of investment liquidity, the PZU Group invests into low-risk assets of sufficient

quality and profitability. When investing assets covering the technical provisions for solvency purposes, the PZU Group takes into account the nature and duration of the existing insurance contracts, in keeping with the policyholder interests. The PZU Group diversifies and disperses its assets in order to avoid over-exposure to one single asset class, issuer or geographical area.

Stress-testing and sensitivity analyses

At the PZU Group level, sensitivity analyses have been conducted for market, credit and underwriting risks as well as for other material risks and events according to the scenarios prepared for the purposes of ORSA. Sensitivity analysis is, in principle, not applicable to the risks described in section C.6. because of the nature and specificity of those risks.

As part of the analyses, the PZU Group also conducts a liquidity assessment, which involves estimation of the possibilities of financing the payouts of claims and benefits as a result of insurable events of extraordinary nature. Stress testing results indicate that such events can be financed.

Under the own risk and solvency assessment (ORSA), the sensitivity analysis for the PZU Group covered stress tests of both assets and liabilities. The stress tests selected for execution as part of ORSA cover the major areas of insurance activity and the PZU Group's risk profile and correspond to the assessment of the key risks in its activity.

The stress tests were carried out based on the principles contained in the Solvency II system. Each test was conducted independently, with the assumed change of the designated elements in the tests and maintenance of the remaining ratios at the baseline scenario level. A stress test takes into account a change in own funds and in the solvency capital requirement in order to examine its total impact on the PZU Group's capital standing.

The test results do not reflect the impact of potential actions taken by the management boards of PZU Group companies to mitigate the impact of a materialized scenario. In fact, given the risk management system in place in the PZU Group, in particular the system of limits and restrictions, the management boards of PZU Group companies, especially PZU as the parent company, may take appropriate actions to prevent or mitigate the impact should the scenario materialize.

The stress test results show that, in 2022, the PZU Group held sufficient own funds to maintain the solvency ratio above the levels required by the KNF after a test scenario materializes.

The table below presents the sensitivity analysis tests performed for the purposes of ORSA conducted on an ad hoc basis. These tests were administered in Q2 2022 as part of the prospective assessment of the PZU Group's equity condition performed during the ORSA process and they refer to the solvency ratios as at the end of 2022 as forecast at the time of performing the various stress tests.

No.	Stress tests / sensitivity analysis	Risk impact	Change to the value of base solvency ratio (in p.p.)
1	Increase in interest rates (+200 bps for the PLN curve, +100bps for the EUR curve)	Market risk	(11)
2	Decrease in interest rates (-200 bps for the PLN curve, -100 bps for the EUR curve)	Market risk	12
3	Change of the shape of the interest rate curve (based on the curve generated by the value at risk calculation model for market risk in the 1 of 200 scenario)	Market risk	(19)
4	Decrease in share prices (-50%)	Market risk	(3)
5	Decrease in real estate prices (-30%)	Market risk	(10)
6	Increase in FX rate (+30%)	Market risk	(6)
7	Decrease in FX rate (-30%)	Market risk	4
8	Counterparty default (the test assumes insolvency of two counterparties with the PZU Group's highest exposure among BB and lower rated counterparties)	Counterparty default risk	(3)
9	Increase in the loss ratio (+10 p.p.)	Underwriting risk	(8)
10	Increase in gross claims provision (+10%+max(PNR,0))	Underwriting risk	(12)
11	Catastrophic loss – single	Underwriting risk	(4)
12	Catastrophic loss – multiple payouts during the year in the amount not exceeding the retention threshold	Underwriting risk	(7)
13	Extraordinary loss	Underwriting risk	(27)
14	Concurrent reduction in interest rates (-200 basis points) and higher claims ratio by 10 percentage points	Underwriting risk / market risk	4

No.	Stress tests / sensitivity analysis	Risk impact	Change to the value of base solvency ratio (in p.p.)
15	Simultaneous increase in interest rates (+200 bps for the PLN curve, +100bps for the EUR curve) and increase in the loss ratio by 10 percentage points	Underwriting risk / market risk	(19)
16	Increase in mortality rates (+15%)	Underwriting risk	(10)
17	Reduction in mortality rates (-20%)	Underwriting risk	(1)
18	Increase in morbidity rates (+35%)	Underwriting risk	(5)
19	Increase in costs used to calculate technical provisions (+10)	Underwriting risk	(3)
20	Increase in lapse rates (+80%)	Underwriting risk	(5)
21	Decrease in lapse rates (-80%)	Underwriting risk	3
22	Combined scenarios – the most severe changes for the individual business lines resulting from scenarios 16, 18, 19 (maximum decline of premiums, increase in benefits and increase in costs)	Underwriting risk	(18)
23	Concurrent reduction in interest rates (-200 basis points), decrease in stock prices (-50%) and increase in mortality rates (+15%)	Underwriting risk / market risk	0
24	Concurrent increase in interest rates (+200 basis points for the PLN curve, +100 basis points for the EUR curve), decrease in stock prices (-50%) and higher mortality rate (+15%)	Underwriting risk / market risk	(23)

Exposure to risk arising from off-balance sheet items

As at 31 December 2022, the value of off-balance sheet exposures taken into account in the calculation of the solvency capital requirement was PLN 4,507 million and pertained to collateral for buy-sell-back transactions.

Risk concentration

Within underwriting risk, the PZU Group identifies risk concentration in terms of locations in Poland with regard to possible losses caused by natural disasters, such as, in particular, floods and cyclones. The table below presents sums insured in the specified ranges, broken down by voivodeships (for operations conducted in Poland) and countries (for foreign operations). The highest risk concentration is seen in Mazowieckie voivodeship. With regard to the exposure to the risk of floods and cyclones, the risk management system in the PZU Group allows to monitor it regularly and the reinsurance program in place reduces the potential for net catastrophic loss.

Exposure to catastrophic losses in property insurance as at 31 December 2022	Sum insured (PLN million)						Sum
	0-0.2	0.2 -0.5	0.5 -2	2 -10	10 -50	over 50	
Dolnośląskie	0.6%	1.2%	1.4%	0.5%	0.4%	1.7%	5.8%
Kujawsko-Pomorskie	0.5%	0.7%	0.6%	0.3%	0.3%	1.1%	3.5%
Lubelskie	0.4%	0.6%	0.3%	0.1%	0.1%	1.1%	2.6%
Lubuskie	0.2%	0.3%	0.3%	0.1%	0.1%	0.5%	1.5%
Łódzkie	0.6%	1.0%	0.8%	0.3%	0.2%	3.5%	6.4%
Małopolskie	0.6%	1.4%	1.1%	0.4%	0.4%	1.6%	5.5%
Mazowieckie	1.6%	3.1%	2.8%	0.9%	1.1%	9.7%	19.2%
Opolskie	0.2%	0.4%	0.3%	0.1%	0.1%	0.6%	1.7%
Podkarpackie	0.4%	0.8%	0.4%	0.2%	0.2%	1.4%	3.4%
Podlaskie	0.3%	0.4%	0.3%	0.2%	0.2%	0.5%	1.9%
Pomorskie	0.5%	1.0%	1.0%	0.5%	0.6%	5.8%	9.4%
Śląskie	0.9%	1.5%	1.4%	0.5%	1.5%	3.7%	9.5%
Świętokrzyskie	0.3%	0.4%	0.2%	0.1%	0.1%	0.4%	1.5%
Warmińsko-Mazurskie	0.3%	0.4%	0.4%	0.2%	0.1%	0.5%	1.9%
Wielkopolskie	1.0%	1.8%	1.6%	0.7%	0.6%	2.6%	8.3%
Zachodniopomorskie	0.3%	0.5%	0.5%	0.4%	0.4%	1.5%	3.6%
Lithuania and Estonia	0.4%	2.2%	3.1%	1.1%	1.0%	2.0%	9.8%
Latvia	0.1%	0.5%	1.1%	0.5%	0.5%	0.5%	3.2%
Ukraine	0.0%	0.0%	0.0%	0.1%	0.2%	0.6%	0.9%
Norway	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.4%
Total	9.2%	18.2%	17.6%	7.2%	8.1%	39.7%	100.0%

In addition, within the portfolio of the PZU Group's clients, we identify significant concentrations on high corporate risks which are subject to facultative reinsurance reducing possible net losses to acceptable levels, not threatening the PZU Group's financial stability.

With respect to credit and market risks, concentration of risk in the PZU Group is identified jointly at the level of groups, sectors of the economy and countries. The analysis covers exposures from the portfolio of assets of consolidated entities, PZU financial insurance and exposures of banking sector entities.

As at 31 December 2022, the following risk concentrations were identified with respect to specific sectors, at the level of a percentage in the total amount of the analyzed exposure (taking into account the exposures from the portfolio of assets of consolidated entities, PZU financial insurance and exposures of banking sector entities):

Industry segment	%
O. Public administration and defense, compulsory social security	26.15%
K. Financial and insurance activities	15.14%
C. Manufacturing	16.67%
G. Wholesale and retail trade services; repair services of motor vehicles and motorcycles	11.26%
L. Real estate activities	5.84%
F. Construction	4.44%
M. Professional, scientific and technical activity	4.09%
H. Transportation and storage	3.70%
D. Electricity, gas, steam, hot water and air conditioning supply	3.18%
J. Information and communication	2.12%
B. Mining and quarrying	0.87%
Other sectors	6.54%
Total	100.00%

The PZU Group also identifies significant and particularly significant risk concentrations with respect to counterparties for which thresholds are set for significant concentrations at the lower of the following levels: 3% of the best estimate of provisions or 10% of the PZU Group's SCR, and for particularly significant concentrations at the lower of the following levels: 6% of the best estimate of provisions or 20% of the PZU Group's SCR. Significant concentrations are reported annually to the regulatory authority, while particularly significant concentrations – whenever a threshold is exceeded.

Within operational risk and other material risks, no risk concentration has been identified.

To meet the regulatory obligations imposed on groups identified as financial conglomerates, since 2020 the PZU Group has had in place a model to manage significant risk concentration in the PZU Group Financial Conglomerate, in keeping with the requirements of the Supplementary Supervision Act.

C.1. Underwriting risk

In accordance with the standard formula for calculating capital requirements for underwriting risk, the PZU Group applies: underwriting risk module in non-life insurance, underwriting risk module in life insurance and underwriting risk module in health insurance. Sales of health insurance products was not assigned to a separate distribution channel and is handled by separate sales networks of non-life and life insurance companies. In view of separate management models for health insurance products in both types of sales networks and slight underwriting risk of health insurance, no separate risk management systems were distinguished for health insurance. Products similar in their properties to life insurance products are managed as life insurance, whereas other ones are managed as non-life insurance.

C.1.1. Underwriting risk in life insurance

Risk identification commences with an insurance product development process and continues until the expiry of the related liabilities. The identification of underwriting 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 underwriting risk accepted 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 products;
- assessing underwriting risk through the prism of similar existing products;
- monitoring of existing product;
- analyzing the policy of underwriting, tariffs, provisions, reinsurance and the claims and benefits handling process.

The assessment of underwriting 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 that results in a liability. The scope of granted insurance cover and the set amount of insurance premium should be taken into account while assessing underwriting risk. The assessment of underwriting risk refers to two basic types of insurance products – individual and group insurance. In the case of individual insurance products, the aim of assessing underwriting risk is to reduce adverse selection, i.e. entering into insurance agreements by high-risk persons for whom the frequency of occurrence of insurable events (e.g. an accident, disease, disability or death) is higher than average, having no cash to pay for insurance costs or wanting to enter into an insurance agreement for an economically unjustified sum insured. The objective of underwriting risk assessment in group insurance products is assessment of future loss ratio of the group and reduction of adverse selection, i.e. so that high-risk persons for whom the frequency rate of occurrence of insurable events exceeds the assumed level enter into insurance agreements.

The underwriting risk assessment process undergoes continual evolution designed to adapt the applied measures to the changing external environment, achieve more effective product profitability management and organizational changes and modify the product offering.

The measurement of underwriting risk is performed in particular by the way of:

- 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.

Monitoring and controlling underwriting risk involves a regular analysis of the level of risk and determining the degree of utilization of the established borderline values of underwriting risk tolerance and limits.

The purpose of reporting is to engage in effective communication on underwriting risk and to support management of this risk at various decision-making levels from an employee to the supervisory boards of PZU Group companies. The frequency of each report and the scope of information provided therein are tailored to the information needs at each decision-making level.

The management actions taken in the course of the underwriting risk management process are performed in particular by the way of:

- defining tolerance for underwriting 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 underwriting risk;
- application of tools designed to mitigate underwriting risk, including in particular reinsurance and prevention.

In PZU, underwriting risk is mitigated in particular through the following activities:

- definition of the scope of liability in the general terms and conditions of insurance;
- definition of the exclusion of liability in the general terms and conditions of insurance;
- reinsurance actions;
- 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 benefits handling procedure;
- sales decisions and plans;
- prevention.

In 2022, there was a decrease in underwriting risk in life insurance, resulting predominantly from changes of the PLN interest rate curve published by EIOPA. Details can be found in the tables in section C.1.3.

C.1.2. Underwriting risk in non-life insurance

Risk identification commences with an insurance product development process and continues until the expiry of the related liabilities. The identification of underwriting 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 underwriting risk accepted 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 products;
- assessing underwriting risk through the prism of similar existing products;
- monitoring of existing product;
- analyzing the policy of underwriting, tariffs, provisions and reinsurance and the claims and benefits handling process.

The assessment of underwriting 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 underwriting risk assessment process undergoes continual evolution designed to adapt the applied measures to the changing external environment, achieve more effective product profitability management and organizational changes and modify the product offering. Any changes that occurred in 2022 were not material.

The measurement of underwriting risk is performed in particular by the way of:

- 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 underwriting risk includes a risk level analysis by means of a set of reports on selected ratios.

The purpose of reporting is to engage in effective communication on underwriting risk and to support management of this risk at various decision-making levels from an employee to the supervisory boards of PZU Group companies. The frequency of each report and the scope of information provided therein are tailored to the information needs at each decision-making level.

The management actions taken in the course of the underwriting risk management process are performed in particular by the way of:

- defining tolerance for underwriting 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 underwriting risk;
- application of tools designed to mitigate underwriting risk, including in particular reinsurance and prevention.

In PZU, underwriting risk is mitigated in particular through the following activities:

- definition of the scope of liability in the general terms and conditions of insurance and 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 the appropriate claims handling procedure;
- sales decisions and plans;
- prevention.

In the area of premium and provisioning risk, the following actions are carried out:

- active monitoring of the combined ratio;
- an analysis of the impact of changes in the external environment on the statistical data used to calculate premiums and provisions;

- proactive monitoring of results achieved on individual products;
- a reinsurance program designed to mitigate potential financial losses resulting from an unexpected increase in loss ratio.

As regards catastrophic risk in non-life insurance, the following actions are carried out:

- monitoring of changes in portfolio exposure;
- monitoring of the reinsurance program's volume and deductible, including potential modification thereof in order to mitigate losses resulting from catastrophic events;
- exposure map for non-life insurance;
- creation of a flooding risk model, to be used in a wide spectrum of business applications (including underwriting, tariff-setting) and a flooding exposure map.

In 2022, the Company noted an increase in underwriting risk in non-life insurance, primarily due to the increase in the capital requirement for catastrophic risk and premium and provisioning risk. Details can be found in the tables in section C.1.3.

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 PZU Group.

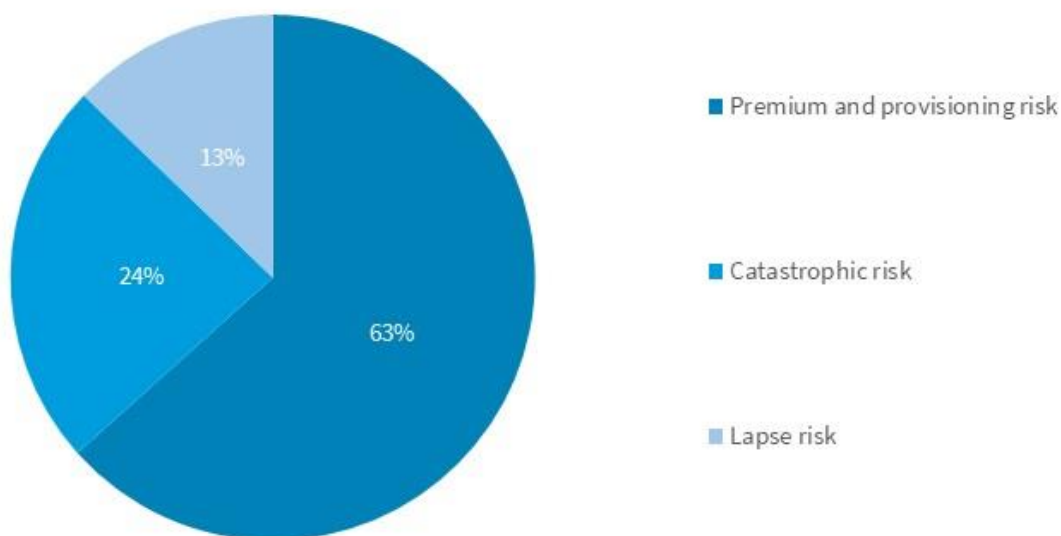
C.1.3. Quantitative data about underwriting risk

Further tables present the capital requirements for underwriting risk and its sub-modules as at the end of 2022, compared to 2021.

Underwriting risk in non-life insurance

Sub-module name	Value (in million PLN)		Change 2022/2021		Comments
	31 December 2022	31 December 2021	(PLN m)	%	
Premium and provisioning risk	3,835	3,715	120	3%	The higher premium and provisioning risk is due to an increase in premium earned and a change in PLN interest rate curves published by EIOPA.
Catastrophic risk	1,441	1,340	101	8%	The increase in the capital requirement for operational risk is due to: - changes to the catastrophe reinsurance program; - an increase in exposure to natural disasters risk.
Lapse risk	775	726	49	7%	The increase is mainly due to lower expected claims ratio.
Diversification	(1,563)	(1,467)	(96)	7%	-
Underwriting risk in non-life insurance	4,488	4,314	174	4%	The effect of the above changes

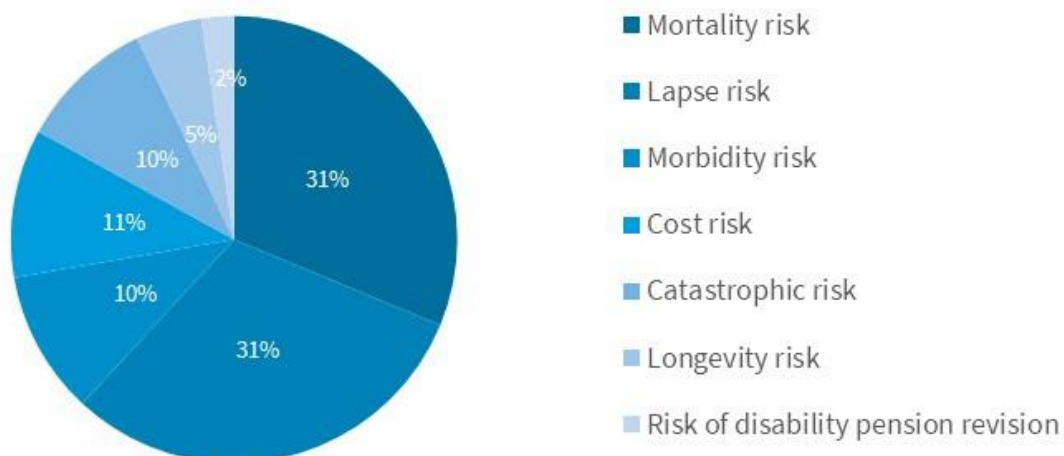
Underwriting non-life insurance risk



Underwriting risk in life insurance

Sub-module name	Value (in million PLN)		Change 2022/2021		Comments
	31 December 2022	31 December 2021	(PLN m)	%	
Mortality risk	1,277	1,463	(186)	(13%)	The decrease in the capital requirements is due to a change in the discount curve published by EIOPA and a change in actuarial assumptions.
Longevity risk	196	311	(115)	(37%)	The decrease in the capital requirements is due to a change in the discount curve published by EIOPA.
Morbidity risk	424	599	(174)	(29%)	The decrease in the capital requirements is due to a change in the discount curve published by EIOPA.
Lapse risk	1,251	1,115	136	12%	The increased lapse risk is due to changes in statistical assumptions, among other things.
Cost risk	439	547	(108)	(20%)	The decrease in the capital requirements is due to a change in the discount curve published by EIOPA.
Risk of disability pension revision	96	128	(33)	(26%)	The decrease in the capital requirements is due to a change in the discount curve published by EIOPA.
Catastrophic risk	402	576	(174)	(30%)	The decrease in catastrophic risk is the result of a lower projection of future premiums resulting from, among other things, a different presentation of contracts in group insurance and a change in mortality levels due to expectations of the development of the COVID-19 pandemic.
Diversification	(1,669)	(2,008)	339	(17%)	-
Underwriting risk in life insurance	2,416	2,731	(315)	(12%)	The effect of the above changes

Underwriting risk in life insurance



Underwriting risk in health insurance

Sub-module name	Value (in million PLN)		Change 2022/2021		Comments
	31 December 2022	31 December 2021	(PLN m)	%	
Health life risk	109	108	1	1%	No significant change.
Health non-life risk	293	312	(19)	(6%)	Decrease in planned earned premium.
Health catastrophic risk	38	33	5	14%	The increase in catastrophic risk is due to changes in underwriting risk classifications, offset by a decrease in pandemic risk for health products, which is the result of a decline in average costs for hospitalization and medical services.
Diversification	(68)	(65)	(3)	4%	-
Underwriting risk in health insurance	372	388	(16)	(4%)	The effect of the above changes

Underwriting risk in health insurance



C.2. Market risk

The identification of market risk involves recognizing the actual and potential sources of such risk. The process of identifying market risk associated with assets commences at the time of making a decision to start entering into transactions on a given type of financial instruments. Organizational structures in PZU Group companies that make the decision to commence transactions in a given type of financial instrument draw up a description of the instrument, containing, in particular, a description of the risk factors involved, and provide it to the risk cell, which proceeds with the identification and assessment of the market risk.

The process of market risk identification associated with insurance liabilities commences with the process of developing an insurance product and 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, i.e. whether the materialization of risk entails a loss capable of affecting the financial condition of the relevant PZU Group company.

Market risk is measured using the following risk measures:

- VaR, value at risk: a measure of risk 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%;
- standard formula;
- exposure and sensitivity measures;
- accumulated monthly loss.

When measuring market risk, the following particular stages can be identified:

- collection of information on assets and liabilities that generate market risk;
- calculation of the value of the risk.

Risk is measured:

- daily – for exposure and sensitivity measures of the instruments in systems used by particular PZU Group companies;
- monthly – when using the value at risk calculation model for market risk or a standard formula.

Market risk is monitored and controlled internally in the organizational units responsible for operational management of market risk and - in parallel - independently by the risk cell. Monitoring of market risk involves an analysis of the level of risk and of the utilization of the designated limits. The risk is monitored on a daily and monthly basis, in accordance with the defined limits.

Reporting involves communicating the level of market risk, the effects of monitoring and control 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.

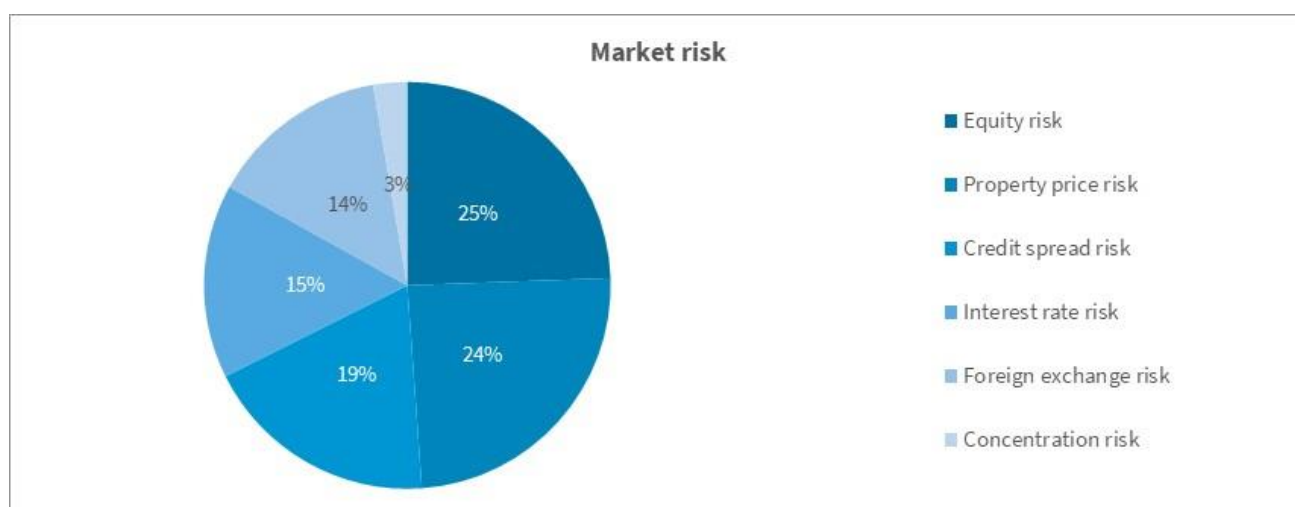
Management actions in respect of market risk involve in particular:

- transactions to mitigate market risk, i.e. buying or selling a financial instrument, closing a derivative, or purchasing a hedging derivative;
- 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 setting of limits is the main management tool for maintaining risk positions within acceptable risk tolerance levels. The structure of limits for the various categories of market risk and also for the various business units is established in such a manner that the limits are consistent with the risk profile and risk tolerance set by the management boards of subsidiaries.

The table below presents the capital requirements for market risk and its sub-modules as at the end of 2022, compared to 2021.

Sub-module name	Value (in million PLN)		Change 2022/2021	
	31 December 2022	31 December 2021	(PLN m)	%
Equity risk	1,341	1,226	115	9%
Concentration risk	148	-	148	-
Foreign exchange risk	783	918	(135)	(15%)
Property price risk	1,341	1,160	181	16%
Interest rate risk	846	441	405	92%
Credit spread risk	1,030	1,236	(206)	(17%)
Diversification	(1,755)	(1,359)	(396)	29%
Market risk	3,734	3,622	112	3%



The largest portion of the market risk module at the end of 2022 was equity price risk, real property price risk and credit spread risk.

The increase in market risk in 2022 was mainly due to an increase in the capital requirement for interest rate risk, which was mainly due to a change in the calculation of the best estimate of liabilities after applying the stress scenarios specified in the standard formula and in the real estate price risk submodule as a result of an increase in real estate valuation values. The increase was offset by a decline in credit spread risk, which was caused by a drop in bond values as a result of rising interest rates.

C.3. Credit risk/counterparty default risk

Credit risk is identified at the stage of making a decision on an investment in a new type of financial instrument or on accepting credit exposure to a new entity. Such identification involves an analysis of whether the contemplated investment entails credit risk, what its level depends on and what its volatility over time is. Both actual and potential sources of credit risk are identified.

Underwriting consists of estimating the probability of realization of a specific risk and estimating the potential impact of its realization on the financial standing.

Credit risk is measured using:

- exposure measures (the amount of the gross and net credit exposure and maturity-weighted net credit exposure);
- capital requirement calculated using the standard formula.

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, for:

- credit exposure in investment portfolios;
- credit risk exposures in financial insurance;
- exposures to reinsurance;
- exposure limits;
- risk tolerance limits based on the values calculated using the standard formula.

Reporting involves communicating the levels of credit risk and concentration risk and the effects of monitoring and control 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.

Management actions in respect of credit risk in the insurance part of the PZU Group involve in particular:

- setting limits to curtail exposure to a single entity, group of entities, sectors or states;
- diversification of the portfolio of assets and financial insurance, especially with regard to state, sector;
- acceptance of collateral;
- execution of transactions serving the purpose of mitigation of credit risk, i.e. selling a financial instrument, closing a derivative, purchasing a hedging derivative, restructuring a debt;
- reinsurance of the financial insurance portfolio.

To mitigate credit risk, the banks in the PZU Group apply such restrictions as:

- limit of exposures to single entities or entities related by capital or organizational ties;
- limit of exposures to entities from the same industry, economic sector, conducting the same business activity or trading in similar commodities;
- limit of exposures to entities from the same voivodeship and particular countries or groups of countries;
- limit of exposures secured by the same collateral or secured by the same collateral supplier (including the risk following from collateral on securities of similar nature);
- limit of exposures in the same currency.

The structure of credit risk limits for each issuer is established such a manner that the limits are consistent with the risk profile and risk tolerance approved by the management boards of each PZU Group company. In the case of other exposures, credit risk concentration is mitigated by setting limits to reduce the exposure to single entities, groups of entities and credit limits for sectors and states other than Poland by appropriate committees.

In 2022, counterparty default risk (CDR) was 2.7% of the total value of the PZU Group's SCR. Compared to 2021, the above percentage decreased by 0.2 p.p., while the capital requirement for counterparty default risk decreased by 6%. The decrease is mainly due to a decline in other receivables (in particular, receivables from the sale of securities and security deposits) by more than PLN 102 million.

Credit risk includes counterparty default risk, credit spread risk and asset concentration risk. In accordance with the requirements defined by the SII Directive, credit spread risk and concentration risk are included in the market risk module and the data for the capital requirement are presented there. In 2022, no significant changes were made to measurement methods of credit risk and counterparty default risk.

In the case of other exposures, credit risk concentration is mitigated by setting limits to reduce the exposure to single entities, groups of entities and credit limits for sectors and states other than Poland by the Investment Risk Committee and the Investment Committee.

The PZU Group performs regular reviews of the set limits together with an analysis of concentration risk.

C.4. Liquidity risk

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. Liquidity risk is managed separately for the insurance part and the banking part. The aim of the liquidity risk management system is to maintain the capacity of fulfilling the Company's liabilities on an ongoing basis.

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 given PZU Group company;
- lack of liquidity of financial instruments held;
- the structural mismatch between the maturity of assets and liabilities.

In the insurance portion, risk measurement and assessment are 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;
- 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 impact of selling the portfolio of financial investments in a short period to satisfy liabilities arising from the occurrence of extraordinary insurable events;
- current statements of estimates (short-term financial liquidity risk) – by monitoring demand for cash reported by other business units in the organizational structure of the given insurance undertaking from the PZU Group by the date defined in regulations which are in force in that unit.

The banks in the PZU Group employ the liquidity risk management metrics stemming from sector regulations, including Recommendation P issued by the KNF.

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 perform analyses of 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.

Reporting involves communicating the level of financial liquidity risk 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;
- maintaining an appropriate level of liquid financial investments in the investment portfolio;
- provisions of the Agreement on managing portfolios of financial instruments entered into between TFI PZU and specific PZU Group companies 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 held until maturity;
- centralization of management of portfolios/funds by TFI PZU;
- limits of liquidity ratios in the banks belonging to the PZU Group.

Monitoring financial liquidity risk involves analyzing the utilization of defined limits. Reporting involves communicating the level of financial liquidity to various decision-making levels.

The PZU Group does not estimate liquidity risk by taking into account the amount of expected profit from future premiums as referred to in Article 295(5) of the Delegated Regulation. Since this report is required to disclose the amount of expected profit on future premiums, as at 31 December 2022, this amount was PLN 3,627 million.

C.5. Operational risk

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 possible occurrence of operational risk incidents.

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.

Monitoring and control of operational risk is performed mainly through an established system of operational risk indicators 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 the level of operational risk, the effects of monitoring and control 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.

Management actions involving reactions to any identified and assessed operational risks involve, in particular:

- risk mitigation by 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.

No significant changes to the operational risk profile of the PZU Group were found in the reporting period. No material concentrations were identified in the area of operational risk in the present reporting period. Neither any grounds were identified that could indicate the possibility of such concentrations to appear in the future.

C.6. Other significant risks

The risk categories defined as material in the PZU Group's internal regulations include also the compliance risk and model risk. These risks are, by their nature, not included in the standard formula applied to calculate capital requirements. These risks are managed through ensuring adequate and effective control mechanisms, using appropriate organizational and procedural solutions.

The compliance risk understood as the risk that PZU 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, or incurring financial loss or else loss of reputation or credibility. It also includes the risk that the operations performed by the PZU Group will be out of line with the changing legal environment (both in the area of the so called 'hard law' and 'soft law'). This risk may materialize as a result of delayed implementation or absence of clear and unambiguous laws. This may cause irregularities in 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.

The identification and assessment of compliance risk is performed for each internal process by the heads of organizational cells or units, in accordance with the allocation of responsibility for reporting. Moreover, compliance units identify compliance risk on the basis of its own actions and information obtained, also from notifications to the register of conflicts of interest, gifts and irregularities, as well as from inquiries sent to them.

Compliance risk is assessed and measured by calculating the consequences of the following types of risk materializing:

- financial, resulting, without limitation, from administrative penalties, court judgments, contractual penalties and claims paid;
- non-financial, pertaining to a loss of reputation, including damage to the image and brand.

Compliance risk is monitored, in particular, through:

- compliance analyses;
- systemic analysis of cyclic reports received from the heads of organizational cells;
- reviews and monitoring of regulatory requirements;
- participation in legislative work aimed at amending the existing laws of general application;
- performing diverse activities in industry organizations;
- coordination of external control processes;
- coordination of the fulfillment of disclosure obligations imposed by the stock exchange and by statute;
- monitoring of anti-monopoly jurisprudence and proceedings conducted by the President of UOKiK;
- reviewing the implementation of recommendations issued by the compliance units.

Management actions taken in response to the compliance risk comprise in particular:

- acceptance of risk;
- mitigation of risk, including adjustment of procedures and processes to regulatory requirements, issuing opinions and drafting internal regulations from the point of view of compliance, participating in the process of agreeing marketing activities;
- avoidance of the risk by preventing any involvement in activities that are out of compliance with the applicable regulatory requirements or best market practices or activities that may have an unfavorable impact on the entity's image.

In the reporting period, no significant changes to the methods of assessing compliance risk occurred. Neither any significant concentrations of risks – because of nature of the described risks – were identified either.

Model risk 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. In 2022, the formal process of identification and assessment of the risk was continued. The process was implemented in PZU and PZY Życie to ensure high quality of risk management practices applied to this risk. The model risk management process involves:

- 1) 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, where materiality is a feature of the model describing its significance and the processes in which it is used. The materiality assessment influences the scope of the actions performed and tools used in the process.
- 2) Risk measurement based on the results of independent model validations and model monitoring.
- 3) Risk monitoring, which involves ongoing analysis of deviations from the adopted points of reference regarding the model risk (among others, verification of how the recommendations are implemented, verification whether the model risk level is acceptable from the point of view of the Model Risk Management Policy).
- 4) Risk reporting, which involves communicating the process results on the appropriate management level, in particular results of risk monitoring, validation and measurement.
- 5) Management actions, which aim to mitigate the model risk level. The actions can be active (e.g. recommendations resulting from completed validations) and passive (developing model and model risk management standards).

Model risk is very important for banking sector entities and therefore management of this risk has already been implemented in the course of adaptation to the requirements of Recommendation W issued by the KNF. Both banks have defined standards for

the model risk management process, including the rules for developing models and evaluating the quality of their operation and have ensured appropriate corporate governance solutions.

Additionally, as part of own risk and solvency assessment in the risk analysis process and identification of key risks, the PZU Group identifies and assesses risks that are not defined as material in its internal regulations. All identified risks are assessed from the perspective of frequency and severity of materialization (taking into account the financial severity and impact on reputation). Based on the aforementioned process, the following risk categories were included in 2022 in the group of material risks:

- competition risk, defined as a risk of market changes (conditions of competition) having an adverse impact on the entity, including competitors' actions aimed at taking over the sales entities (agents), competitors' actions aimed at taking over the clients, entity's failure to respond to client expectations, aggressive pricing policy;
- business risk, defined as the possibility of incurring a loss or unfavorable change of the value of liabilities, associated with an incorrect business model, including related to a failure to attain the assumed and necessary economic objectives due to failure in market competition.

D. Measurement of assets and liabilities

Quantitative information on assets and liabilities measured in accordance with the SII system is included in form QRT S.02.01.02 which constitutes Attachment 6 to the Solvency and Financial Condition Report.

D.1. Assets

Assets for solvency purposes are measured at fair value and the table below presents the grounds, methods and major assumptions used when measuring assets.

Assets	Description of the grounds, methods and key assumptions used for measurement for solvency purposes
Real property	The fair value of real property is determined using the alternative measurement method described in section D.4. Right-of-use assets are carried using alternative measurement methods, in compliance with the rules laid down in IFRS 16 'Leases'.
Shares in related parties, including equity interests	The measurement method consistent with the provisions of Article 335 and the hierarchy described in Article 13 of the Delegated Regulation: Equities held in related parties which are credit institutions, companies managing undertakings for collective investment in transferable securities and non-regulated entities carrying out financial activities are measured by applying the method of proportional share in such undertakings' own funds calculated according to the relevant sectoral rules. Equities in related parties not quoted on active markets are measured using the adjusted equity method. The adjusted equity method requires measurement of equity interests held in related parties based on the share held in the related entity's surplus of assets over liabilities. When calculating a surplus of assets over liabilities for related parties, particular assets and liabilities of the given entity are measured in accordance with the principles of the SII system. Participation units in mutual funds which the PZU Group classifies as participation units in related parties are measured using the alternative measurement method described in section D.4 for participation units and investment certificates in collective investment undertakings.
Quoted shares and interests	The fair value is considered to be the closing price as at the balance sheet date.
Debt securities, loans	Fair values of debt securities are determined on the basis of quotations publicly available on an active market and if there are no such quotations – valuations published by an authorized information service; and if there are no such quotations either – using valuation models containing references to published price quotations of the underlying financial instruments, interest rates and stock exchange indices. The PZU Group conducts an internal review of the valuations published by the authorized information service comparing them to the valuations available from other sources based on data which can be observed on the market. The fair value of debt securities for which an active market does not exist and of loans is measured using the alternative measurement method described in section D.4.
Participation units and investment certificates in collective investment undertakings	The fair value of participation units and investment certificates of mutual funds are measured using the alternative measurement method described in section D.4.
Derivatives	For derivatives quoted on an active market, the fair value is considered to be the closing price as at the balance sheet date. The fair value of derivatives not quoted on an active market, including forward contracts and interest rate swaps (IRS) is measured using the alternative measurement method described in section D.4.
Deposits other than cash equivalents	The fair value of deposits is measured using the alternative measurement method described in section D.4.

Assets	Description of the grounds, methods and key assumptions used for measurement for solvency purposes
Assets for life insurance in which the benefit is determined on the basis of specified indices or other base values and for life insurance linked to a unit-linked fund	Fair value measurement is calculated following similar rules to those for financial instruments held by the PZU Group at its own risk.
Receivables from insurance and from insurance intermediaries	The fair value has been measured using the alternative measurement method described in section D.4. In receivables from insurance and from insurance intermediaries only these receivables are presented whose maturity dates have already passed. Due and future premium installments are taken into consideration when defining the best estimate as cash flows – inflows.
Other receivables (trade receivables other than those from insurance activity) and amounts due and payable from reinsurance agreements for liabilities resulting from insurance	The principles of measurement of amounts payable under reinsurance treaties are described in item D.2.3. The fair value of other receivables has been measured using the alternative measurement method described in section D.4.
Cash	Measurement at nominal value, increased, in justified cases, by the accrued interest.
Other assets	Other assets include mainly estimated salvage and subrogation measured by the Chain Ladder actuarial method broken down into homogeneous risk groups, as well as accrued receivables calculated using the alternative measurement method described in section D.4.

The table on the following page presents an explanation, in quantitative terms, of differences between data on assets calculated in accordance with the principles used for measurement for solvency purposes (described in the table above) and data calculated in accordance with the principles used for the needs of consolidated financial statements. The column entitled “Amount from the financial statements” presents values from the consolidated financial statements for the year ended 31 December 2022 in accordance with their economic content, but without making adjustments that would be necessary to make the numbers fit the format and presentation required in the SII system. Total assets in the column “Value from the financial statements” correspond to the total from the consolidated financial statements.

Assets as at 31 December 2022 (data in PLN million)	Value from the consolidated financial statements	Adjustment of deferred acquisition costs and deferred reinsurance commission	Adjustment of intangible assets	Measure- ment of investme nts	Measure- ment of pro- visions	Reclassifi- cation of items	Defer- red tax	Change in the scope of console- dation*	Other	Solvency II value
Goodwill	2,808	-	(1,093)	-	-	-	-	(1,715)	-	-
Deferred acquisition costs	1,762	(2,155)	-	-	-	-	-	393	-	-
Intangible assets	3,282	-	(850)	-	-	-	-	(2,432)	-	-
Deferred tax assets	3,085	15	-	-	-	-	(30)	(3,049)	-	21
Surplus on the pension benefits fund	-	-	-	-	-	-	-	-	-	-
Property, plant and equipment (tangible fixed assets) used for own needs	4,322	-	-	256	-	-	-	(2,516)	-	2,062
Investments (other than insurance assets in which the benefit is determined on the basis of specified indices or other base values, and life insurance linked to a unit-linked fund)	163,380	-	-	(3,997)	-	(5,006)	-	(104,184)	-	50,193
Real property (other than used for own needs)	3,638	-	-	-	-	-	-	(3,484)	-	154
Shares in related entities, including equity interests	52	-	-	-	-	-	-	20,285	-	20,337
Shares and interests	2,478	-	-	-	-	(311)	-	(1,243)	-	924
Shares and interests – quoted	2,086	-	-	-	-	(311)	-	(854)	-	921
Shares and interests – unquoted	392	-	-	-	-	-	-	(389)	-	3
Bonds	133,071	-	-	(3,986)	-	(904)	-	(101,181)	-	27,000
Government bonds	103,696	-	-	(3,973)	-	(864)	-	(74,838)	-	24,021
Corporate bonds	29,375	-	-	(13)	-	(40)	-	(26,343)	-	2,979
Structured securities	-	-	-	-	-	-	-	-	-	-
Hedged securities	-	-	-	-	-	-	-	-	-	-
Participation units and investment certificates in collective investment undertakings	4,876	-	-	-	-	(3,753)	-	(169)	-	954
Derivatives	16,197	-	-	-	-	(20)	-	(16,088)	-	89
Deposits other than cash equivalents	3,068	-	-	(11)	-	(18)	-	(2,304)	-	735
Other investments	-	-	-	-	-	-	-	-	-	-
Assets for insurance, in which the benefit is determined on the basis of specified indices or other base values, and life insurance linked to a unit-linked fund	-	-	-	-	-	5,013	-	-	-	5,013

Assets as at 31 December 2022 (data in PLN million)	Value from the consolidated financial statements	Adjustment of deferred acquisition costs and deferred reinsurance commission	Adjustment of intangible assets	Measure- ment of investme nts	Measure- ment of pro- visions	Reclassifi- cation of items	Defer- red tax	Change in the scope of console- dation*	Other	Solvency II value
Loans and mortgage-backed loans	224,033	-	-	(8)	-	-	-	(220,259)	-	3,766
Loans against pledged policies	-	-	-	-	-	-	-	-	-	-
Loans and mortgage-backed loans for natural persons	108,537	-	-	-	-	-	-	(108,537)	-	-
Other loans and mortgage-backed loans	115,496	-	-	(8)	-	-	-	(111,722)	-	3,766
Amounts due and payable from reinsurance agreements for liabilities resulting from insurance:	4,015	-	-	-	(2,724)	-	-	(16)	-	1,275
Other than life insurance and health insurance treated as non-life insurance	3,781	-	-	-	(2,609)	-	-	(16)	-	1,156
Other than life insurance products, excluding health insurance	3,624	-	-	-	(2,472)	-	-	(16)	-	1,136
Health insurance treated as non-life insurance	157	-	-	-	(137)	-	-	-	-	20
Life insurance and health insurance treated as life insurance, except for health insurance and the insurance in which a benefit is determined on the basis of specified indices or other underlying values and unit-linked life insurance	234	-	-	-	(115)	-	-	-	-	119
Health insurance treated as life insurance	-	-	-	-	(3)	-	-	-	-	(3)
Life insurance, except for health insurance and the insurance in which a benefit is determined on the basis of specified indices or other base values and unit-linked life insurance	234	-	-	-	(112)	-	-	-	-	122
Life insurance in which the benefit is determined on the basis of specified indices or other base values and unit-linked life insurance	-	-	-	-	-	-	-	-	-	-
Deposits with ceding companies	-	-	-	-	-	-	-	-	-	-
Receivables from insurance and from insurance intermediaries	3,322	-	-	-	(2,916)	-	-	19	-	425
Outward reinsurance receivables	38	-	-	-	(9)	-	-	7	-	36
Other receivables (trade receivables other than those from insurance activity)	9,292	-	-	-	-	(8)	-	(8,737)	-	547
Treasury shares (held directly)	-	-	-	-	-	-	-	-	-	-
Amounts due on account of own funds or initial capital called up but not paid up yet	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	15,975	-	-	-	-	(9)	-	(15,529)	-	437
Other assets (not included in other items)	805	(5)	(117)	-	(106)	-	-	52	(338)	291
Total assets	436,119	(2,145)	(2,060)	(3,749)	(5,755)	(10)	(30)	(357,966)	(338)	64,066

* including assets, part of which is owned by non-controlling interests presented in IFRS statements.

D.1.1. Qualitative description of material differences between measurement for solvency purposes and measurement according to IFRS

D.1.1.1. Valuation of assets

- 1) Related parties: the difference between values according to IFRS and measurement for solvency purposes follows from different methods of recognition in the balance sheet. According to IFRS, subsidiaries are subject to consolidation whereas associates are measured using the equity method. The scope of consolidation for the purposes of the economic balance sheet is limited in comparison with the consolidated financial statements. Subordinated entities that are not consolidated in the economic balance sheet are measured at fair value using the adjusted equity method or the method of proportional share in such undertakings' own funds. Detailed information on the method of measurement applied to each subordinated entity is presented in item A.5.3.
- 2) Debt securities, deposits, loans: the difference between valuation according to IFRS and valuation for solvency purposes follows from different methods of measuring instruments valued according to IFRS at amortized cost, taking into account allowances for the possible credit losses, taking into account the allowance for expected credit losses that, for the purposes of the economic balance sheet, are measured at fair value.
- 3) Goodwill: the reason for the difference is that goodwill is valued at zero for solvency purposes, whereas in accordance with IFRS goodwill is recognized in the amount of the surplus of the fair value of the payment as at the acquisition date, the value of all non-controlling interests and the fair value of the stake in the equity of the acquired entity before obtaining control over the net fair value of acquired assets and assumed liabilities as at the acquisition date.
- 4) Intangible assets: the difference results from the fact that, for solvency purposes, intangible assets are measured at zero, while in accordance with IFRS they are measured at purchase price or production cost less amortization charges and impairment losses.
- 5) Changes in the value of individual items of assets and liabilities in the economic balance sheet compared to the values presented in the consolidated financial statements also result from the change in the scope of consolidation for the purposes of the economic balance sheet, as described in item A.5.3.

D.1.1.2. Assessment criteria for an active market

Whether a financial instrument is quoted on an active market is determined at the moment of establishing the carrying amount of the instrument on the date ending the calendar year based on data about the number and trading volume of transactions executed on the instrument in the last month of the year. The analysis is performed on a set of data collected from the Bloomberg system, including information about transactions executed in the period. These rules are not applicable to instruments admitted for trading on the Treasury Bond Spot market, with respect to which it is recognized that they are listed on an active market on account of the criterion referred to in item 2 below.

A given instrument is considered to be quoted on an active market if:

- 1) available data about the number and trading volume of transactions coming from at least one of the markets referred to in the next paragraph, make it possible to state that, on average, on each day of the month of the year, at least five transactions were executed on the instrument or the total volume of transactions executed in the period was higher by 1% of the number of instruments admitted for trading on the market or
- 2) regulations in force on one of the markets referred to in the next paragraph impose on selected participants the requirement to present quotations, based on which the fixing rate is set by the market's arranger on each day of the last month of the year.

An analysis of the activity of markets is based on information coming from the markets on which a transaction might be executed involving the sale of the instrument in regular circumstances. In particular, these include the following markets:

- 1) markets on which transactions have already been executed, or
- 2) markets dedicated to trading in debt securities or
- 3) the biggest markets among the markets of a given country, or
- 4) global markets earmarked for institutional clients.

The correctness of information regarding the transacted trades is checked in the framework of analyzing market activity by comparing the test file prepared using data coming from the Bloomberg system with the data presented on the official website of a given market. While defining the test set, the following criteria are taken into consideration:

- 1) possibility of obtaining data – historical data from the official website of the given market must be obtained free of charge;
- 2) diversity with regard to the type of issuer of financial instrument – a test set must include data (if possible) about at least two treasury instruments and two corporate ones;
- 3) diversification of the markets from which the data originate - the test file must contain data (if possible) regarding at least three markets.

D.1.2. Changes to the bases used for recognition, measurement or estimates in the reporting period

In the reporting period, there were no material changes to the principles of recognition, measurement or estimates with regard to measurement of assets.

D.2. Technical provisions

Technical provisions consist of the best estimate and the risk margin or are determined on the basis of a reliably determined total market value of financial instruments that reflect future cash flows related to liabilities arising from executed insurance contracts, in compliance with Article 225 of the Insurance Activity Act.

The value of technical provisions, including the amount of the best estimate and the risk margin, broken down by lines of business, is presented in the following tables.

Technical provisions for non-life insurance (in PLN million) along with a comparison to the value of technical provisions according to IFRS as at 31 December 2022:

Line of business	No. of the line of business	Gross best estimate – provisions for unearned premiums	Gross best estimate – provisions for claims and benefits	Risk margin	Value of technical provisions according to IFRS*
Medical expense insurance	1, 13	57	17	3	117
Income protection insurance	2, 14	134	80	7	935
Motor vehicle third party liability insurance	4, 16	1,736	5,341	442	10,959
Other motor insurance	5, 17	1,301	614	77	3,681
Marine, aviation and transport insurance	6, 18	(31)	65	9	220
Insurance against fire and other damage to property	7, 19	286	1,085	132	3,876
General TPL insurance	8, 20	58	1,195	77	2,475
Credit and suretyship insurance	9, 21	107	35	8	362
Legal protection cost insurance	10, 22	2	9	-	27
Assistance insurance	11, 23	47	52	13	500
Insurance of various financial losses	12, 24	(52)	880	17	1,454
Non-proportional reinsurance of other casualty insurance	26	(1)	3	4	5
Non-proportional reinsurance of marine, aviation and transport insurance	27	-	-	-	-
Non-proportional reinsurance of property insurance	28	(2)	58	4	64
Total non-life insurance liabilities		3,642	9,434	793	24,675

* This column does not include data for PZU Ukraine as it is excluded from consolidation for Solvency II purposes pursuant to Article 389 of the Insurance Activity Act.

Technical provisions for life insurance and health insurance treated as life insurance (in PLN million) along with a comparison to the value of technical provisions according to IFRS as at 31 December 2022:

Line of business	No. of the line of business	Gross best estimate	Risk margin	Technical provisions calculated jointly	Value of technical provisions according to IFRS*
Insurance with profit participation	30	1,558	121	-	2,855
Insurance in which a benefit is determined on the basis of specified indices or other base values and unit-linked life insurance	31	4,364	82	184	5,003
Other life insurance	32	4,486	775	-	14,907
Annuities from insurance contracts other than life insurance contracts and connected with insurance liabilities other than health insurance liabilities	34	3,306	104	-	5,126
Inward reinsurance – annuities from insurance contracts other than life insurance contracts and connected with insurance liabilities other than health insurance liabilities	36	-	4	-	-
Health insurance (direct insurance business)	29	(157)	24	-	18
Total liabilities on account of life insurance and health insurance treated as life insurance		13,557	1,110	184	27,909

* This column does not include data for PZU Ukraine Life as it is excluded from consolidation for Solvency II purposes pursuant to Article 389 of the Insurance Activity Act.

The most important rules applicable to best estimate calculations are presented below. All the cash flows are discounted with the risk-free rate published by EIOPA.

The risk margin is calculated in accordance with the assumptions set forth in Article 38 of the Delegated Regulation. The PZU Group uses simplification in its risk margin calculations. Simplifications are used to approximate the value of elements of the future capital requirements using the identified risk carriers.

Best estimate – non-life insurance

The best estimate does not include payments on account of salvage and subrogation. Estimates of those payments are presented in the assets of the economic balance sheet in connection with Article 28(g) of the Delegated Regulation. The best estimate is determined by discounting forecast cash flows with the risk-free rate.

The main assumption made for defining the best estimate is the adequacy of historical experience for the purposes of anticipating the future. The table below presents the grounds, methods and major assumptions used when measuring assets for solvency purposes for the most significant lines of business.

Line of business	Description of the grounds, methods and major assumptions used for measurement
4 (Motor vehicle third party liability insurance) and 5 (Other motor insurance)	Cash flows are determined for claims provisions on the basis of claims triangles while using standard actuarial methods such as the Chain Ladder. Cash flows from the provision for unearned premiums are determined based on the provision for unearned premiums according to IFRS, adjusted for the forecast lapse rate and the anticipated claims cost ratio. The cash flows also include outstanding premium receivables, adjusted in accordance with historical receivable collection indicators.

The uncertainty of the best estimate follows for the most part from the fact that the forecast flows may diverge, perhaps significantly, from the historical trends. Some of the divergences may be random in nature (e.g. the occurrence of large claims), while other may result from changes to the (business, economic, legal, etc.) environment or changes to the procedures of handling liabilities. Additional uncertainty is connected with a long term of performing third party liability insurance liabilities, especially provisions for annuities, which depend to a significant extent on the applied discount rate. When it comes to estimating the general damages for dismemberment, the uncertainty attached to this estimate is relatively high because of the absence of historical data for such claims. The uncertainty refers in particular to the degree of permanent dismemberment of the injured party, the group of entitled persons and the very amount of general damages.

In calculating the best estimate, no material simplifications are applied.

Best estimate – life insurance

The value of the best estimate of liabilities is determined as an expected present value of future cash flows, with the application of a relevant risk-free interest rate term structure.

Forecasts of cash flows used to calculate the best estimate of liabilities take into consideration all the proceeds and expenditures required to settle insurance liabilities for all of their term. Proceeds include all the premiums guaranteed in agreements, but voluntary premiums are not taken into account. In the case of unit-linked insurance, the contract boundary presented in the “KNF Office’s position on the contract boundary for determining insurance or reinsurance obligations” is used for measurement purposes. A forecast of expenditures includes both expenditures resulting from future events as well as benefit payments resulting from past events which are not regulated as at the measurement date of the best estimate of liabilities.

Cash flows resulting from past events include liabilities resulting from events not reported or paid until the measurement date. The liabilities are subsumed under claims provisions as at the measurement date, while the cash flows resulting from them are forecast in accordance with the predicted dates of benefit payouts.

The cash flows used to calculate the best estimate of liabilities also include liabilities captured in provisions for premiums, discounts and insurer profit-sharing, as well as provision for claims revaluation and court proceedings. These cash flows, depending on the nature of the liability may be recognized in cash flows arising from past events (e.g. premiums in employee group insurance where bonuses are paid) or in cash flows arising from future events (e.g. premiums in unit-linked insurance where bonus units are incorporated into ordinary fund units after certain conditions are satisfied). Cash flows resulting from these liabilities are forecast in accordance with the predicted payout dates.

Cash flow forecasts resulting from future events are prepared for each product (or product group) separately, using appropriate models reflecting the special character of the product and its characteristics, adjusted to the nature and complexity of risks present in the product. Within the forecasts for individual products, the best estimate is determined separately for individual contracts or groups of contracts constituting homogeneous risk groups, taking into account the best assumptions based on the assessment of current and past observations (best estimate assumptions).

Cash flows resulting from future events are determined in a deterministic manner, based on a forecast of the number of agreements (insureds) remaining in the portfolio in consecutive calendar months and a forecast of events causing the payout of benefits or change in the status of agreements. Below, the manner in which individual components of cash flows are determined is presented:

- insurance premiums are determined on the basis of the number of agreements forecast in each month and the average premium, taking into account the assumed indexation factor and deadlines for premium payment;
- the benefits are the sum of benefits from individual insurable events (whether terminating an insurance contract or not) and, depending on the benefit type, may be determined as:
 - the product of the number of events giving rise to the payout of benefits and the amount of benefit for a selected risk (in particular, this refers to deaths, surrenders and cases of reaching the endowment age);
 - the product of the sum insured for the risk and the average loss ratio (most often where the insurable event does not result in agreement termination);
 - the product of the premium for the risk and the average loss ratio;
- costs and commissions consist of:
 - servicing costs which are the product of the unit cost for a given product and the number of policyholders, taking into account cost inflation, contributions to the KNF, PIU and the Financial Ombudsman, additional costs on the whole portfolio which are not included in the unit cost (including a flat-rate fee for aftersales service) if the product structure provides for such payments, and asset management costs for unit-linked products, calculated as the product of the values of funds and the management fee indicator;
 - commissions calculated as the product of the commission coefficient and the gross written premium as well as additional initial commissions and sales bonuses if the product structure provides for such payments;
- other proceeds – partial reimbursements of management fees in unit-linked insurance with funds managed by third parties ('kick-back') and commission refunds ('clawback') in protection bancassurance with single premium payment in connection with premature agreement termination.

The adopted method of deterministic forecast of continued progress of the contract is based on best estimate assumptions and the resulting financial cash flow forecast while applying an appropriate interest rate term structure leads to taking into account the value of money over time and finding the best estimate as the probability-weighted average present value of future cash flows.

It should be noted, however, that, in distinct lines of business, forecasts of future cash flows are determined taking into account certain simplifications which may refer to the adopted assumptions about the occurrence of future events and costs and may also refer to the modeling method itself:

- 1) in the case of annual renewable protection insurance products, in particular in the case of group employee insurance, cash flows are determined for each contract covering a group of policyholders. For each of the groups in the given product, the forecast cash flows are determined collectively based on the current number of the insureds, average guaranteed benefits and premiums, and average probabilities of occurrence of insurable events or average loss ratio on the product group. In the case of group whole-life contracts, which are an insubstantial part of the portfolio, policies are modeled for the period up to the next contract anniversary. In addition, for all contracts, the assumption is made of a monthly premium payment, regardless of the actual method of payment. These simplifications, because of the short-term nature of the contracts but also because of the scale of the portfolio of employee group insurance, do not lead to any deformations of the results of the forecasts at the level of the entire portfolio;
- 2) in the case of riders to individually continued insurance agreements in the event of lapses of policies with other than monthly premium payment frequency, lapses are not modeled in each month of the forecast, total lapses for the entire period for which the premium is paid are modeled in the last month of the period. Commissions are included in the cost of service and presented on an aggregate basis as cost of service. Also here, considering the scale of the contracts and their short-term nature, such a simplification does not lead to deformations of the results of the whole forecast;
- 3) applying in all cases of individual continuation contracts the assumption that all policyholders were born exactly in the middle of the year. Details on co-insureds are not accepted for forecasts based on specific information on the insured and his/her family (since such data are not available), but through probability of having co-insureds shared by people of a given age and gender. Fixed age difference between the insured and co-insureds is assumed (where the difference depends on the

insured's gender). The forecasts do not address directly the possibility of renewing the insurance (at a specific date, provided that past due premiums are paid), however the effect of renewals is captured in forecasts by using the renewals to adjust the lapse ratio.

In older insurance types, where the possibility of continuation by a widow actually exists, it is not modeled. Additionally, in the case of lapses of policies with non-monthly premium payment frequency, the refunds of the unused portion of the premium are not modeled.

- 4) the forecasts for traditional insurance products assume that all policies begin at the beginning and end at the end of the month, even though, in some products, a policy may begin in the course of a month. Also, the possibility of changing the premium payment frequency is not taken into account. The model assumes commissions on the basis of technical plans rather than actual commission levels. When forecasting riders to traditional insurance products, the assumed lapse and mortality ratios are the same as the ones for the base agreements. Additionally, forecasts for traditional insurance products with profit-sharing assume that each insured will elect the maximum indexation rate and do not consider the possibility of future switches to funded insurance or the possibility of suspending premium payments for 6 months;
- 5) the forecasts for protection bancassurance products assume that all policies begin at the beginning and end at the end of the month, even though, in some products, a policy may begin in the course of a month. Also, some cost or commission elements that are determined for the portfolio as a whole are stated in the projection in the amount that ensures the portfolio balance for the product will be maintained in the future at the level from the measurement date;
- 6) in the case of health products, the forecast cash flows are determined in aggregate for a group of policyholders under a given contract and risk based on the current number of the policyholders, average guaranteed benefits and premiums, and average probabilities of occurrence of insurable events or average loss ratio on the product. At the same time, for all contracts, the assumption is made of a monthly premium payment, regardless of the actual method of payment. Considering the short-term nature of the contracts, such a simplification does not lead to deformations of the results of the whole forecast;
- 7) in the case of unit-linked products, the transfer of money between funds is not modeled and the management fees and kick-back fees are calculated for the level of exposure in funds on the forecast commencement date;
- 8) in the case of structured products, the simplification involves the modeling of option values in the forecast with the deterministic method, i.e. it is assumed that the option will change in line with the assumed risk-free rate;
- 9) the simplifications also include:
 - a. the assumption that the maximum age of an insured is 101 (the assumption is that an insured dies immediately when he/she reaches 101 years of age);
 - b. the waiting period is not taken into account;
 - c. an assumption for determining a discounted value is that a cash flow occurs at the end of the month, even though cash flows, depending on the cash flow type and the product can be made at the beginning, at the end or during the month;
 - d. making common assumptions about mortality for the individual age and gender groups for similar products if there is no mortality experience for each product separately with such an accurate breakdown;
 - e. making common assumptions at the portfolio level on the loss ratio for a given risk if actual experience is not sufficient to make assumptions for specific sub-groups (e.g. age/gender).

When calculating the best estimate, the amounts due for reinsurance were not taken into account because of the small scale of reinsurance programs, in particular their specific and very narrow scope, limited mostly to catastrophic cases exceeding a certain relatively high cumulative level. These programs do not translate directly or significantly into an individual reduction in liabilities measured under the best estimate.

Deterministic best estimate calculations are based on a single economic scenario. Such a scenario does not show, however, the complete impact arising from the existence of options and financial guarantees in insurance contracts. These options may contribute to the asymmetry between the values of future cash flows in "beneficial" and "detrimental" economic scenarios, affecting future capital gains on account of investments. Such a situation occurs in traditional insurance products, since they feature the profit-sharing right (option/insurance guarantee).

In order to capture this effect in the valuation, the deterministic best estimate valuation should be supplemented by the time value of options and guarantees (TVOG). This value is calculated as the difference between the best estimate calculated on the basis of several scenarios generated in the stochastic model and the best estimate obtained in the deterministic model.

According to the analyses and estimates carried out so far, the value of TVOG depends mainly on the interest rate term structure, but is low due to the relatively short term to maturity of these agreements, fairly good security of future benefits with existing assets, reducing the reinvestment volume and thus the uncertainty of future rates of return, as well as the very manner in which the insured participate by the annual indexation of sums insured and premiums. That value was finally omitted as immaterial from the results of the valuation of the best estimate of liabilities.

In the case of line of business no. 34 (annuities from insurance contracts other than life insurance contracts and connected with insurance liabilities other than health insurance liabilities), cash flows are determined individually for each annuity recipient based on his/her demographic features, the up-to-date annuity amount and selected features that are significant from the perspective of forecasting the annuity increase. Annuity increase is forecast based on historical data, using the GLM and GAMLSS models. For the calculation, life expectancy tables from Statistics Poland (GUS) are taken.

D.2.1. Qualitative description of material differences between measurement for solvency purposes and measurement according to IFRS

Non-life insurance

The grounds, methods and assumptions applied to the measurement of technical provisions for the solvency purposes according to the SII system do not differ to a material extent from the grounds, methods or assumptions applied to the measurement of these provisions for the purposes of the consolidated financial statements. Differences to the amounts of technical provisions result from different measurement rules for specific items of provisions according to the SII system and IFRS. What contributes to these differences is, among others, the fact that SII system values are best estimates, while IFRS values are calculated based on the application of safety markups (e.g. the stochastic method in the motor TPL insurance). The table below is a summary of the most important differences in the rules of measuring provisions for solvency purposes according to the SII system and for the purposes of the consolidated financial statements.

Line of business	Technical provisions according to the SII system	Technical provisions according to IFRS
1-12	• Provision for unearned premiums reduced by the future profit • Future premiums are included • At a discounted value • Overheads are included • Salvage and subrogation are not included • Risk margin	• Provision for unearned premiums reduced by the future profit • Future premiums are not included • At an undiscounted value • Overheads are not included • Future salvage and subrogation are included • No risk margin

Life insurance

Certain life insurance products do not fulfill the definition of insurance contract included in IFRS 4 "Insurance Contracts" and, as a result, are recognized in the consolidated financial statements as investment contracts, in accordance with IFRS 9, for which technical provisions are not calculated but liabilities are recognized on account of investment contracts at the fair value of assets covering the liabilities of the unit-linked fund associated with the given contract or the current value of expected future cash flows (in the case of contracts with guaranteed and fixed terms and conditions).

The risk margin, which is part of technical provisions measured for solvency purposes, has no direct equivalent in the technical provisions (hereinafter: "TP") calculated for financial reporting purposes under IFRS. The differences in the best estimate value and the provisions calculated for the purposes of consolidated financial statements are a consequence of the different methodologies used to calculate them, the method of recognizing certain elements and the assumptions made:

- for unit-linked (insurance and investment) contracts, TP or liabilities on account of investment contract are recognized in the amount corresponding to the value of funds accumulated on insureds' accounts, without future premium payments. In

turn, the best estimate is generally calculated as the present value of cash flows expected in the future along with future premiums for the insurance that contains noticeable benefits/guarantees;

- TP are calculated without lapses, but in the amount no lower than the guaranteed surrender amount on the measurement date. In the case of the best estimate, it is assumed that additional disbursements will be made on account of surrenders only to the extent that such surrenders are expected. At the same time, the adoption of earlier lapse assumptions results in a reduction of disbursements on account of deaths and cases of reaching the endowment age, which are included at the full amount in the calculation of the TP;
- TP in life insurance are calculated using the so-called net premium method, where the current value of expected benefits is reduced by the current value of expected premiums adjusted by the mark-ups on cost and possible profit assumed in the pricing. In turn, the best estimate is calculated as the difference between the amount of expected benefits, future costs of service and commissions and the full amount of premiums;
- in the TP calculation, the assumptions concerning mortality, cost level, commissions, etc. are determined at the time of product launch and are valid for the entire duration of the policies or until the time when material premises for changing them occur. In the best estimate calculation, the assumptions are adopted every time based on the current and historical data and are updated regularly;
- in the case of TP, the discount used to calculate the present value of premiums and benefits is set during the tariff-setting process, taking into account the limitations arising from the provisions of law setting forth the “maximum technical rate” announced from time to time by the regulatory authority. The discount is changed if there are material indications that it is not possible to obtain the rates of return on the assets to cover the provisions on a level allowing for keeping the determined technical rates. In the case of best estimate, the discount is determined each time on the basis of the current term interest rate structure published by EIOPA.

The difference between TP and technical provisions calculated for solvency purposes recognized in this report is mainly caused by the fact that values according to the SII system are best estimates, while IFRS values are calculated using the methods and assumptions that include safety markups.

Also, the table below summarizes the major differences in the rules of measuring provisions for solvency purposes according to the SII system and for the purposes of the consolidated financial statements for business line no. 34 (Annuities from insurance contracts other than life insurance contracts and connected with insurance liabilities other than health insurance liabilities).

Line of business	Technical provisions according to SII	Technical provisions according to IFRS
34	• Variable discount rate • Variable growth rate • Risk margin	• Fixed discount rate • Fixed growth rate • No open risk margin

D.2.2. Matching adjustment, volatility adjustment, transitional risk-free interest rate term structure, transitional deductions

As at 31 December 2022, neither the matching adjustment referred to in Article 227 of the Insurance Activity Act, the volatility adjustment mentioned in Article 229 of the Insurance Activity Act, transitional risk-free interest rate term structure mentioned in Article 496 of the Insurance Activity Act nor the transitional deduction mentioned in Article 497 of the Insurance Activity Act were applied.

D.2.3. The amounts due under reinsurance treaties and from special-purpose vehicles (special-purpose entities).

The amounts due and payable under reinsurance treaties are determined on the basis of the gross best estimate and assignment indicators for technical provisions according to IFRS. The amounts due and payable under reinsurance treaties also include future cash flows of premiums and reinsurance commissions measured according to IFRS. The amounts due and payable from reinsurers are adjusted for the probability of the reinsurer's bankruptcy. Reinsurance treaties are executed with companies with a sufficiently

high rating (in most cases, at least A-). The PZU Group does not execute agreements with special purpose vehicles that which would result in the emergence of receivables on that account.

D.2.4. Changes to assumptions adopted for calculating technical provisions as compared to the previous reporting period

Non-life insurance

With regard to economic assumptions, in 2022, the risk-free rates published by EIOPA applied for discounting cash flows were changed. No other material changes were made to non-economic assumptions.

Life insurance

Significant changes to assumptions adopted for calculating technical provisions in 2022 as compared to the previous reporting period pertained to economic assumptions as well as other-than-economic assumptions. With regard to economic assumptions, in 2022, the risk-free rate used to discount cash flows was changed. The effect of changes in non-economic assumptions was mainly due to changes in:

- cost assumptions, mainly for continued and profit-sharing insurance, which was due to the long forecast period (both the change in the level of unit service costs and the future growth of these costs);
- claims ratio assumptions, mainly related to continued insurance (a revision of Covid haircuts based on observations how the pandemic has developed to date and how it has impacted benefits, while taking into account available scenarios for the subsequent course of the pandemic; the baseline mortality assumptions have not changed);
- lapses assumptions, mainly relating to continued insurance and other unit-linked insurance;
- indexation assumptions (the increase in the best estimate is the result of an increase in the expected indexation factor in individual continuation contracts, where it is possible for policyholders to index their insurance amounts for a predetermined premium).

D.2.5. Statements on matching adjustment, volatility adjustment, transitional risk-free interest rate term structure, transitional deductions

As at 31 December 2022, the PZU Group did not apply the matching adjustment referred to in Article 227 of the Insurance Activity Act, the volatility adjustment mentioned in Article 229 of the Insurance Activity Act, transitional risk-free interest rate term structure mentioned in Article 496 of the Insurance Activity Act or the transitional deduction mentioned in Article 497 of the Insurance Activity Act.

D.3. Other liabilities

Liabilities for solvency purposes are measured at fair value and the table below presents the grounds, methods and major assumptions used when measuring liabilities.

Liabilities	Description of the grounds, methods and key assumptions used for measurement for solvency purposes
Other provisions (other than technical provisions) and pension benefit liabilities payable to employees	The fair value of other provisions and pension benefit liabilities payable to employees are measured using the alternative measurement method described in section D.4.

Liabilities	Description of the grounds, methods and key assumptions used for measurement for solvency purposes
Deferred tax liabilities	The amount of deferred tax liabilities is calculated using the balance sheet method, as a positive difference between the amounts of balance sheet items recognized and measured in accordance with the rules set forth in the Insurance Activity Act and the Delegated Regulation and the amounts of balance sheet items according to the valuation for tax purposes taking into account the CIT rates, which are expected to apply when the liability is realized. In the economic balance sheet, deferred tax liabilities and assets are presented after compensation on the level of individual companies subject to consolidation (on a net basis).
Derivatives	They are measured based on the derivatives measurement method described in Section D.1. Negative measurement is presented as liability.
Liabilities to credit institutions and financial liabilities other than liabilities to credit institutions	Fair value is measured using the alternative measurement method described in section D.4.
Insurance liabilities and liabilities to insurance intermediaries and other liabilities (trade, other than those from insurance activity, not recognized in other items)	Fair value is measured using the alternative measurement method described in section D.4. In insurance and inward reinsurance liabilities only these liabilities are recognized whose maturity dates have already passed. Current and future liabilities are taken into consideration when determining the best estimate as cash flows – outflows. Other liabilities (liabilities not recognized in other items) include, among others, accrued payroll expenses and employee awards, advances from business partners, other accruals, reinsurers' share in salvage and subrogation estimates, insurance liabilities to other insurance undertakings for emergency adjustment services, direct claims handling, direct claims handling and co-insurance related to own insurance activity, as well as the negative value of shares in subordinated entities calculated using the adjusted equity method described in item D.1.
Subordinated liabilities	Fair value is measured using the alternative measurement method described in section D.4.

The table on the following page presents an explanation, in quantitative terms, of differences between data of liabilities calculated in accordance with the principles used for measurement for solvency purposes (described in the table above) and data calculated in accordance with the principles used for the needs of consolidated financial statements. The column entitled “Amount from the financial statements” presents values from the consolidated financial statements in accordance with their economic content, but without making adjustments that would be necessary to make the numbers fit the format and presentation required in the SII system. Total liabilities in the column “Amount from the financial statements” correspond to the amount from the consolidated financial statements.

Liabilities as at 31 December 2022 (data in PLN million)	Value from the consolidated financial statements	Adjustment of deferred acquisition costs	Measurement of investments	Measurement of provisions	Reclassification of items	Deferred tax	Change in the scope of consolidation*	Other	Solvency II value
Technical provisions – non-life insurance	24,764	-	-	(10,806)	-	-	(89)	-	13,869
Technical provisions – non-life insurance (excluding health insurance)	23,712	-	-	(10,052)	-	-	(89)	-	13,571
Technical provisions calculated jointly	23,712	-	-	(23,623)	-	-	(89)	-	-
Best estimate	-	-	-	12,788	-	-	-	-	12,788
Risk margin	-	-	-	783	-	-	-	-	783
Technical provisions – health insurance (treated as non-life insurance)	1,052	-	-	(754)	-	-	-	-	298
Technical provisions calculated jointly	1,052	-	-	(1,052)	-	-	-	-	-
Best estimate	-	-	-	288	-	-	-	-	288
Risk margin	-	-	-	10	-	-	-	-	10
Technical provisions in life insurance (except for the insurance in which a benefit is determined on the basis of specified indices or other underlying values and unit-linked life insurance)	23,077	-	-	(12,685)	-	-	(171)	-	10,221
Technical provisions in health insurance (treated as life insurance)	18	-	-	(151)	-	-	-	-	(133)
Technical provisions calculated jointly	18	-	-	(18)	-	-	-	-	-
Best estimate	-	-	-	(157)	-	-	-	-	(157)
Risk margin	-	-	-	24	-	-	-	-	24
Technical provisions in life insurance (except for health insurance and the insurance in which a benefit is determined on the basis of specified indices or other base values and unit-linked life insurance)	23,059	-	-	(12,534)	-	-	(171)	-	10,354
Technical provisions calculated jointly	23,059	-	-	(22,888)	-	-	(171)	-	-
Best estimate	-	-	-	9,350	-	-	-	-	9,350
Risk margin	-	-	-	1,004	-	-	-	-	1,004

Liabilities as at 31 December 2022 (data in PLN million)	Value from the consolidated financial statements	Adjustment of deferred acquisition costs	Measurement of investments	Measurement of provisions	Reclassification of items	Deferred tax	Change in the scope of consolidation*	Other	Solvency II value
Technical provisions – insurance in which a benefit is determined on the basis of specified indices or other base values and unit-linked life insurance	5,003	-	-	(373)	-	-	-	-	4,630
Technical provisions calculated jointly	5,003	-	-	(4,819)	-	-	-	-	184
Best estimate	-	-	-	4,364	-	-	-	-	4,364
Risk margin	-	-	-	82	-	-	-	-	82
Contingent liabilities	-	-	-	-	-	-	-	-	-
Other provisions (other than technical provisions)	1,608	-	-	-	-	-	(1,502)	-	106
Employee pension benefit liabilities	265	-	-	-	-	-	(236)	-	29
Liabilities under deposits of reinsurance undertakings	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	849	-	-	-	-	2,423	(218)	-	3,054
Derivatives	20,956	-	-	-	-	-	(20,638)	-	318
Liabilities to credit institutions	8,698	-	-	-	-	-	(8,651)	-	47
Financial liabilities other than liabilities to credit institutions	291,628	-	-	-	-	-	(290,922)	-	706
Insurance liabilities and liabilities to insurance intermediaries	757	-	(5)	(143)	(327)	-	15	-	297
Outward reinsurance liabilities	240	-	-	(224)	-	-	(1)	-	15
Other liabilities (trade liabilities, other than those from insurance activity)	8,708	-	-	(3)	(10)	-	(8,080)	-	615
Subordinated liabilities	6,184	-	16	-	-	-	(3,851)	-	2,349
Subordinated liabilities not included in basic own funds	-	-	-	-	-	-	-	-	-
Subordinated liabilities included in basic own funds	6,184	-	16	-	-	-	(3,851)	-	2,349
Other liabilities (not included in other items)	3,630	(255)	32	(1,425)	327	-	(1,051)	(5)	1,253
Total liabilities	396,367	(255)	43	(25,659)	(10)	2,423	(335,395)	(5)	37,509

* including liabilities, part of which refers to liabilities of non-controlling interests presented in IFRS statements.

D.3.1. Qualitative description of material differences between measurement for solvency purposes and measurement according to IFRS

D.3.1.1. Valuation of liabilities

Financial liabilities and subordinated liabilities: the difference between the value according to IFRS and the measurement for solvency purposes follows from different methods of measuring financial liabilities and subordinated liabilities valued according to IFRS at amortized cost which, for the purposes of the economic balance sheet, are presented at fair value but without adjusting own credit spread from the date of the emergence of the liability.

D.3.2. Sources of the deferred tax liability

The PZU Group sets off deferred tax assets and liabilities for each business unit (tax group) comprising the PZU Group separately. Deferred tax assets carried in the PZU Group's balance sheet constitute the sum of deferred tax assets of the business units for which deductible temporary differences and tax losses to be settled in the coming years are higher than taxable temporary differences. For the purposes of calculating the PZU Group's own funds, a full set-off of deferred tax assets and liabilities is performed, regardless of the business unit to which such assets and liabilities pertain. Analysis of recoverability of deferred tax assets is performed on the basis of forecast future tax flows.

The following table presents the sources of deferred tax assets and liabilities after setting off negative and positive taxable temporary differences as at 31 December 2022.

The decisive part of the temporary differences follows from overestimating medium- and long-term financial assets and technical provisions.

Sources of the deferred tax assets and liabilities	Amount of the deferred tax assets and liabilities (PLN million)
Financial instruments	(433)
Property, plant and equipment and intangible assets	(169)
Real property	59
Other provisions and accruals and deferred income	(190)
Technical provisions	3,772
Tax losses to be used in subsequent years	-
Other differences	(6)
Deferred tax liability for the purpose of calculation of own funds, total	3,033
Deferred tax assets carried in the balance sheet	(21)
Deferred tax liability carried in the balance sheet	3,054

D.3.3. Changes to the bases used for recognition, measurement or estimates in the reporting period

During the reporting period, there were no significant changes in the method of measurement of liabilities other than technical provisions.

D.3.4. The nature of duties, expected schedule of outflow of economic benefits, uncertainty and the manner of taking into consideration of the risk of measurement deviation

On 30 June 2017, PZU issued subordinated bonds with a total nominal value of PLN 2,250 million. The final maturity of the bonds is 29 July 2027 with an early repayment option on 29 July 2022.

Parameters of outstanding bonds:

Parameter	Value
Total nominal value of the bonds	PLN 2,250 million
Nominal value and issue price of one bond	PLN 100,000
Final maturity	29 July 2027
Interest rate	WIBOR 6M + 1.80% margin
Interest payment days	29 January and 29 July each year, from 29 January 2018 until 29 July 2027
Possibility of redeeming bonds before final maturity	29 July 2022
Security	None

The bonds are not in the form of documents and are registered in the securities depository maintained by Krajowy Depozyt Papierów Wartościowych SA [National Depository for Securities] and listed in alternative trading systems run by BondSpot SA and the Warsaw Stock Exchange. As at 31 December 2022, the carrying amount of subordinated bonds according to IFRS was PLN 2,333 million, while their fair value was PLN 2,349 million.

The risk measure is taken into consideration in the model for measuring fair value. For the above items, the basis point value (BPV) is calculated which is a measure of sensitivity to a change of interest rates. The BPV measures how much the value of an asset/a liability will change when the interest rate changes by 1 basis point.

D.4. Alternative measurement methods

The assets and liabilities to which alternative measurement methods apply along with the justification for applying such methods are presented in the following table.

Assets and liabilities measured using the alternative method	Description of the alternative measurement method along with the justification for its application
Real property	Due to the absence of an active market, real properties are valued by licensed property appraisers in accordance with generally applicable provisions of law and applicable professional standards, in most cases using the comparative method or the income method. The acceptance of each completed measurement is additionally subjected to the assessment of compliance with the order by PZU Group employees to eliminate any potential typographical or accounting errors. Any concerns arising during the process are clarified on an ongoing basis with the author of the appraisal report or opinion. The right-of-use assets are measured in compliance with IFRS 16, i.e. using the cost less depreciation charges and impairment losses or at fair value (in the case of assets being investment properties). Right-of-use assets are depreciated using the straight-line method from the lease commencement date to the earlier of the end of the useful life or the end of the lease period.
Debt securities, loans	The fair value of debt securities for which an active market does not exist is measured based on valuations published by an authorized information service and, if there are none, using the discounted cash flow method. For loans, the fair value is determined using the discounted cash flow method. Discount rates are determined on the basis of the yield curve for government bonds adjusted by the credit spread. It is calculated on a calibration date, which is the date of the most recent issue or market transaction or each day of the averaging period of the spreads calculated from the most recent market transaction data. Such a spread leads to parallel shifting of the yield curve for government bonds by a fixed amount along its whole length or as the difference between the yield of listed debt securities of issuers with a similar rating operating in similar industries and the yield of government bonds (German government bonds for bonds denominated in EUR) multiplied by a ratio determined as at the calibration date, taking into account issuer-specific risk in the discount curve.
Derivatives	The fair value of derivatives not quoted on an active market, including forward contracts and IRS (interest rate swap) contracts is measured using the discounted future cash flow method. For the discounting of cash flows,

Assets and liabilities measured using the alternative method	Description of the alternative measurement method along with the justification for its application
	interest rates are used from the yield curves assigned to the relevant type of financial instrument and currency, shaped on the basis of available market data. The fair value of options is measured as the expected value of the option payoff function discounted as at the valuation date. The expected value of the payoff function is calculated using the Monte Carlo modeling method.
Deposits	Due to the absence of an active market, the fair value of deposits is measured as the value of discounted cash flows resulting from the terms of executed deposit agreements. For discounting, a base curve is used adjusted for the credit spread quantifying the credit risk of counterparty banks with which long-term deposit agreements have been entered into in the relevant period. For each currency of the deposits, an appropriate discount curve is used. For a given currency of the deposit, discount curves are used specific to the counterparty bank in which the deposit has been made.
Participation units and investment certificates in collective investment undertakings	Due to the absence of an active market, participation units and investment certificates are measured using prices published by mutual fund management companies determined on the basis of net asset value of the funds measured in accordance with the accounting principle for funds. As at the date of preparation of the SFCR, the prices published by mutual fund companies were verified with the audited financial statements of the funds. The valuation of participation units issued by subsidiary funds is subject to adjustment in cases where the fund's assets are not presented at fair value in the fund's financial statements and the difference between the fair value and the valuation amount in the fund's financial statements is significant.
Receivables on insurance and from insurance intermediaries, other receivables (trade receivables other than those from insurance activity, accrued receivables presented in other assets)	Due to the absence of an active market, receivables on insurance and from insurance intermediaries and other receivables are measured using the discounted cash flow method. The valuation of these receivables is based on a historical analysis of the receivables payment ratio, and the projected cash flows are discounted using the current market discount rate, as announced by EIOPA. Due to the higher rate of collecting receivables in the first several months of debt recovery, the discount effect is insignificant for the calculation of fair value.
Pension benefit liabilities payable to employees and other provisions (other than technical provisions) measured using actuarial methods	Due to the absence of an active market, the fair value of other provisions is calculated as the expected present value of anticipated cash flows in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". The value of the provision for unused vacation time is recognized in accordance with IAS 19 "Employee Benefits" on an accrual basis. The costs of retirement severance pay and post-mortem benefits estimated using actuarial methods are recognized on an accrual basis in accordance with IAS 19 by applying the forecast specific entitlements method. Provisions for retirement severance pays and post-mortem benefits are estimated using actuarial methods by applying appropriate actuarial techniques and assumptions (discount rates, mortality rates, anticipated wage growth rate, employee turnover rate and disability rate).
Liabilities to credit institutions, financial liabilities other than liabilities to credit institutions, subordinated liabilities	The fair value of financial liabilities for which an active market does not exist and the fair value of subordinated liabilities and loans which are the PZU Group's liabilities are measured using the discounted cash flow method. Such liabilities are measured based on credit spread in relation to a risk-free curve, calculated in such a way that the instrument price at the issue date resulting from the model equals the issue price. In accordance with the measurement rules for liabilities in the SII system, the own credit spread calculated in the above manner is not subsequently changed. Lease liabilities are measured in compliance with IFRS 16 "Leases". On initial recognition at the present value of the outstanding lease payments, including fixed lease payments less any applicable lease incentives, variable lease payments that depend on an index or rate, the amounts that the lessee expects to pay within the guaranteed residual value, the exercise price of the call option, if likely to be exercised, and penalties for terminating the lease if the option is available. In subsequent periods these liabilities are measured at amortized cost.

Assets and liabilities measured using the alternative method	Description of the alternative measurement method along with the justification for its application
Insurance liabilities and liabilities to insurance intermediaries, other liabilities	Due to the absence of an active market, insurance liabilities and liabilities to insurance intermediaries and other liabilities are measured using the discounted cash flow method. The valuation of these liabilities is based on a historical analysis of the liabilities payment ratio, and the projected cash flows are discounted using the current market rate. Owing to their short expected payment dates, their nominal value is a reasonable approximation of fair value.

D.4.1. Assumptions and assessments on important sources of uncertainty of estimating fair value

The following coefficients are applied to measure uncertainty in measurement of financial instruments:

- BPV – this coefficient indicates what the change will be in the value of the instrument if the discount and projection curve is shifted by 1 b.p. for bonds, loans, deposits and structured securities;
- sensitivity to a change in credit spread – this coefficient indicates what the change will be in the value of the instrument if the credit spread is shifted by 1 b.p. for bonds, loans, deposits and structured securities;
- delta – this coefficient indicates the percentage change in the value of an option if the price of the underlying asset changes by 1%.

The measurement adequacy is compared on regular basis by calibrating the spread (if possible) applied in the valuation with available market prices and comparing the model-based valuation with a valuation based on the adjusted purchase price for bonds, loans, deposits and structured securities.

Uncertainty in measurement of assets and liabilities other than technical provisions, except for financial instruments, is assessed mainly through:

- price volatility;
- standards of technical wear and tear;
- cash flow volatility;
- volatility of the economic environment;
- volatility of market interest rates.

The PZU Group regularly verifies the adequacy of measurements, in particular by comparing them with other models or historical results performed on actual transactions.

D.5. Additional information

The PZU Group does not have any material intangible assets or material lease agreements.

As at 31 December 2022, employee benefit liabilities did not constitute a material class of liabilities and as such, they have not been described in detail.

The principles of measurement applied by the subsidiaries to the measurements carried out for solvency purposes are not different than the principles applied on the level of the PZU Group.

E. Capital management

E.1. Own funds

E.1.1. Own funds management

The PZU Group endeavors to manage capital effectively and maximize the rate of return on equity for PZU's shareholders, in particular by maintaining the level of security and retaining capital resources for strategic growth objectives through acquisitions.

The capital management policy rests on the following principles:

- the PZU Group's capital management (including excess capital) is conducted at the level of PZU as the parent company;
- sustain target solvency ratios at the level of 200% for the PZU Group, PZU and PZU Życie (it is assumed that certain temporary deviations in the actual solvency ratio above or below the target level may occasionally occur);
- maintain the PZU Group's financial leverage ratio at a level no higher than 0.25;
- ensure funds for growth and acquisitions in the coming years;
- no new shares issued by PZU for the duration of the Capital and Dividend Policy.

The dividend amount proposed by the PZU Management Board for the financial year is determined on the basis of the PZU Group's consolidated financial result attributable to the parent company, where:

- no more than 20% will be earmarked as retained earnings (supplementary capital) for goals associated with organic growth and innovations as well as execution of growth initiatives;
- no less than 50% is subject to payment as an annual dividend;
- the remaining part will be paid in the form of annual dividend or will increase retained earnings (supplementary capital) if in the given year significant expenditures are incurred in connection with execution of the PZU Group Strategy, including in particular, mergers and acquisitions;
- according to the PZU Management Board's plans and PZU's risk and solvency self-assessment, own funds of PZU and the PZU Group following the declaration or payment of a dividend will remain at a level that will ensure fulfillment of the conditions specified in the Capital and Dividend Policy;
- when determining the dividend, KNF's recommendations concerning dividends are taken into consideration.

In order to monitor and maintain capital at a level adequate to the assumed risks and to fulfill the capital requirements on a continuous basis, a capital limit system has been introduced. Furthermore, if the PZU Group's financial standing deteriorates, the PZU Group Capital and Dividend Policy provides for an early warning system, described in detail in the Plan of Corrective Measures of the PZU Group. It includes, among others, threshold values of financial parameters at which corrective measures should be undertaken to prevent the overrun of the final limit.

The early warning system is based on the accepted risk appetite level. Management actions are subject to the current and anticipated coverage level of the consolidated solvency capital requirement for the PZU Group:

- Green zone (over 170%);
- Yellow zone (120% to 170%);
- Red zone (below 120%);
- Final limit (below 100%).

In Alior Bank and Pekao, the solvency ratio and the Tier 1 ratio are computed on the basis of CRR and also the various types of risk identified in the Internal Capital Adequacy Assessment Process (ICAAP).

In accordance with the Plan of Corrective Measures of the PZU Group, what is additionally taken into consideration when the measures are started is the PZU Group's return on equity (ROE), the amount of the net financial result of the PZU and the PZU

Group (attributable to the parent company), the level of the PZU's combined ratio, its rating and a number of parameters concerning other important PZU Group companies.

Management actions aiming at increasing the level of own funds include in particular the following:

- increasing subordinated liabilities;
- discontinuing or temporarily suspending the surrender of instruments classified to own funds if the terms and conditions of the issue or the agreement provide for such possibility;
- retaining part or the entire profit through decreasing the amounts of dividends paid out;
- co-payments as part of supplementary own funds;
- capital increase.

Management actions in the area of risk profile include in particular the following:

- risk avoidance – not getting involved or stopping to get involved in the activities which increase exposure to risk;
- risk transfer – transfer of part of exposure to risk onto a third party;
- risk mitigation – reduction of likelihood of materialization of the risk or reduction of its impact;
- acceptance of the risk level – acceptance of risk retention if other management actions are not available or the cost of their implementation is too high as compared to benefits to be obtained;
- deployment of tools supporting other management actions, including in particular the following: limits, reinsurance programs, regular review of policies of accepting the risk for insurance (underwriting), review of the investment policy.

The extent of corrective measures undertaken depends on current and anticipated capital position as well as the timing of performance of the solvency assessment. If the analysis is conducted on the planning stage, the implemented corrective measures could be milder (e.g. making changes to the business plan) than if the analysis were to be conducted on the monitoring stage – in such case, it may be necessary to take immediate actions. The selection of corrective measures is also influenced by the following factors: issues related to reputation risk, possibility of practical application of the given corrective measure, time necessary for implementation of the given corrective measure, quality of own funds in case of increasing the capital for covering the risk, impact on the PZU Group's activity (e.g. profitability, market share).

Decisions with regard to application of the above-described methods shall be made by the given company's management board.

The supervisory boards and management boards of the PZU Group's insurance undertakings receive regular reports on the current level of solvency (at least once a quarter or on an ongoing basis if any of the capital thresholds have been exceeded).

A significant portion of the PZU Group's capital is allocated to PZU Życie (that company's standalone surplus of assets over liabilities is PLN 10,839 million). PZU believes that PZU Życie's own funds may be transferred to PZU through disbursement of dividends, reinsurance and liquidity loans granted among those companies. Capital surpluses of other insurance-activity-conducting subsidiaries are not significant from the point of view of the PZU Group as a whole.

Capital planning takes place within the framework of own risk and solvency assessment which is performed on at least an annual basis. It forms an integral part of the business strategy and is taken into consideration in the strategic decision-making process. The period of planning the capital position spans the time horizon of the current PZU Group Strategy but no less than 3 years. Since the time of publication of the previous solvency and financial condition report, there have been no significant changes concerning the management of own funds.

E.1.2. Structure, value and quality of own funds

The PZU Group's solvency was calculated with use of method 1 (the basic method) on the basis of consolidated financial statements. The PZU Group's own funds were calculated on the basis of the surplus of assets over liabilities originating from the consolidated economic balance sheet drawn up according to the principles of SII, taking into account the exclusions of intragroup transactions of the PZU Group companies subject to consolidation.

The minority shareholders' equity of PLN 2 million was considered to be unavailable for coverage of the PZU Group's SCR.

Pursuant to Article 389 of the Insurance Activity Act, the PZU Group's own funds were also reduced by own funds on account of shares in PZU Ukraine and PZU Ukraine Life in the amount of PLN 57 million.

Information on own funds is included in the QRT S.23.01.22 form forming Attachment 7 to the SFCR. Its summary and a comparison with the data as at 31 December 2021 is presented below:

Own funds	Value according to the SII system (in PLN million)		Change 2022/2021	
	31 December 2022	31 December 2021	(PLN m)	%
Total eligible own funds for coverage of the consolidated solvency capital requirement (SCR), including:	26,389	24,626	1,763	7%
• category 1 – satisfying the conditions of Article 245 (2) of the Insurance Activity Act in consideration of the factors referred to in Article 245 (3) of that Act	23,317	21,497	1,820	8%
• category 2 – PZU Group's subordinated liabilities, including:	3,072	3,129	(57)	(2%)
○ PZU's subordinated liabilities	2,349	2,324	25	1%
○ Subordinated liabilities of other financial sectors	723	805	(82)	(10%)
The reconciliation provision after deduction of equity interests in other financial sectors and after deduction made pursuant to Article 389 of the Insurance Activity Act on account of equity interests in business units for which the regulatory authority does not have credible information	15,595	13,902	1,693	12%
Other available items of basic own funds	625	624	1	0%
Subordinated liabilities	2,349	2,324	25	1%
Own funds of other financial sectors	7,820	7,776	44	1%

The increase in eligible own funds to cover the SCR as at 31 December 2022 in relation to 31 December 2021 by PLN 1,763 million was driven by:

- an increase in Tier 1 own funds by PLN 1,820 million, driven by:
 - an increase in the surplus of assets over liabilities by PLN 1,774 million due to:
 - a decrease in technical provisions in the SII system by PLN 4,275 million, as a result of:
 - a decrease in the best estimate amount in life insurance and in unit-linked insurance by PLN 4,259 million caused by the change in risk-free rate curve defined by EIOPA;
 - a decrease in the risk margin and provisions calculated in aggregate in life insurance and in unit-linked insurance by PLN 384 million caused by the change in risk-free rate curve defined by EIOPA;
 - an increase in the best estimate amount in non-life insurance (PLN 432 million) resulting from the reporting of one large claim (substantially covered by reinsurance contracts), partially offset by a decrease in the best estimate due to a change in the risk-free rate curve defined by EIOPA (an increase in interest rates);
 - a decrease in the risk margin in non-life insurance by PLN 64 million caused by the change in risk-free rate curve defined by EIOPA;
 - a decrease in assets by PLN 1,854 million, as a result of:
 - a dividend payout in 2022 in the amount of PLN 1,675 million;

- a decrease in assets by PLN 179 million, mainly as a net result of an increase in interest rates, which reduced the fair value of bonds and assets for unit-linked insurance; The decrease in bond valuations was offset by an increase in other deposits, in particular an increase from the acquisition of PKN Orlen (with a valuation of PLN 910 million as at 31 December 2022) and an increase in right-of-use assets related to the new headquarters of PZU Group companies (384 million). The 579 million increase in amounts due from reinsurance contracts was primarily due to an increase in the reinsurers' share in reported claims (mainly the reinsurers' share in one large claim), offset by a decrease due to a change in the risk-free rate curve defined by EIOPA;
- an increase in other liabilities by PLN 647 million, which consisted primarily of a PLN 425 million increase in financial liabilities other than those to credit institutions (mainly liabilities under leasing agreements, resulting primarily from the lease agreement for the new headquarters of PZU Group companies) and a PLN 308 million increase in deferred tax liabilities, offset by a PLN 125 million decrease in negative valuation of derivatives and liabilities to credit institutions by PLN 108 million;
- PLN 114 million higher deduction on account of the dividend and the levy on financial institutions;
- PLN 101 million higher exposure of PZU Group companies to assets representing own funds of companies of other financial sectors (PLN 126 million increase in the value of own funds of other financial sectors category 1, less a PLN 25 million increase in the deduction from the reconciliation provision of exposure to other financial sectors);
- a PLN 57 million lower deduction from the reconciliation provision for involvement in Ukrainian insurance companies;
- a PLN 2 million lower deductions for own shares and minority interests;
- a decrease in Tier 2 own funds by PLN 57 million, driven by:
 - a decrease in the value of subordinated liabilities issued by PZU Group's banks by PLN 82 million, which was caused among others by repayment of part of the subordinated debt by Alior Bank;
 - partially offset by a PLN 25 million increase in the value of subordinated bonds issued by PZU, which was related to higher accrued interest due to an increase in the variable coupon of subordinated bonds (based on the WIBOR 6M rate).

The basic categories of own funds and solvency capital requirement coverage are presented in the table below:

Category	31 December 2022 (PLN m)	31 December 2021 (PLN m)
Total eligible own funds for coverage of the consolidated solvency capital requirement, including:	26,389	24,626
total own funds of other financial sectors	7,820	7,776
Total eligible own funds to fulfill the requirement of the group's minimum consolidated solvency capital requirement	17,010	15,385
Consolidated solvency capital requirement, including:	11,003	11,142
capital requirement for other financial sectors	3,843	4,024
Minimum consolidated solvency capital requirement	3,952	4,296
Ratio of coverage of the consolidated solvency capital requirement with eligible own funds (excluding other financial sectors)	259%	237%
Ratio of coverage of the consolidated solvency capital requirement with eligible own funds (including other financial sectors)	240%	221%
Ratio of coverage of the minimum consolidated solvency capital requirement with eligible own funds (including other financial sectors)	430%	358%

Distribution of the 2022 profit

PZU satisfies the criteria specified in the document entitled “KNF’s stance on the dividend policy in 2023” of 6 December 2022, hence it may pay out the dividend in the maximum amount of 100% of the profit generated in 2021 (while taking into account the dividends paid so far from the 2022 profit) and 50% of the profit generated in 2022.

On 4 May 2023 The PZU Management Board of proposed to the PZU’s Ordinary Shareholder Meeting to distribute PZU’s net profit for the year ended 31 December 2022, in the amount of PLN 1,637 million, plus the amount of PLN 1,296 million transferred from the supplementary capital created from the net profit for the year ended 31 December 2021, that is, a total of PLN 2,933 million proposing to allocate:

- PLN 2,072 million (PLN 2.40 per share) to a dividend;
- PLN 854 million to supplementary capital;
- PLN 7 million to the Company Social Benefit Fund.

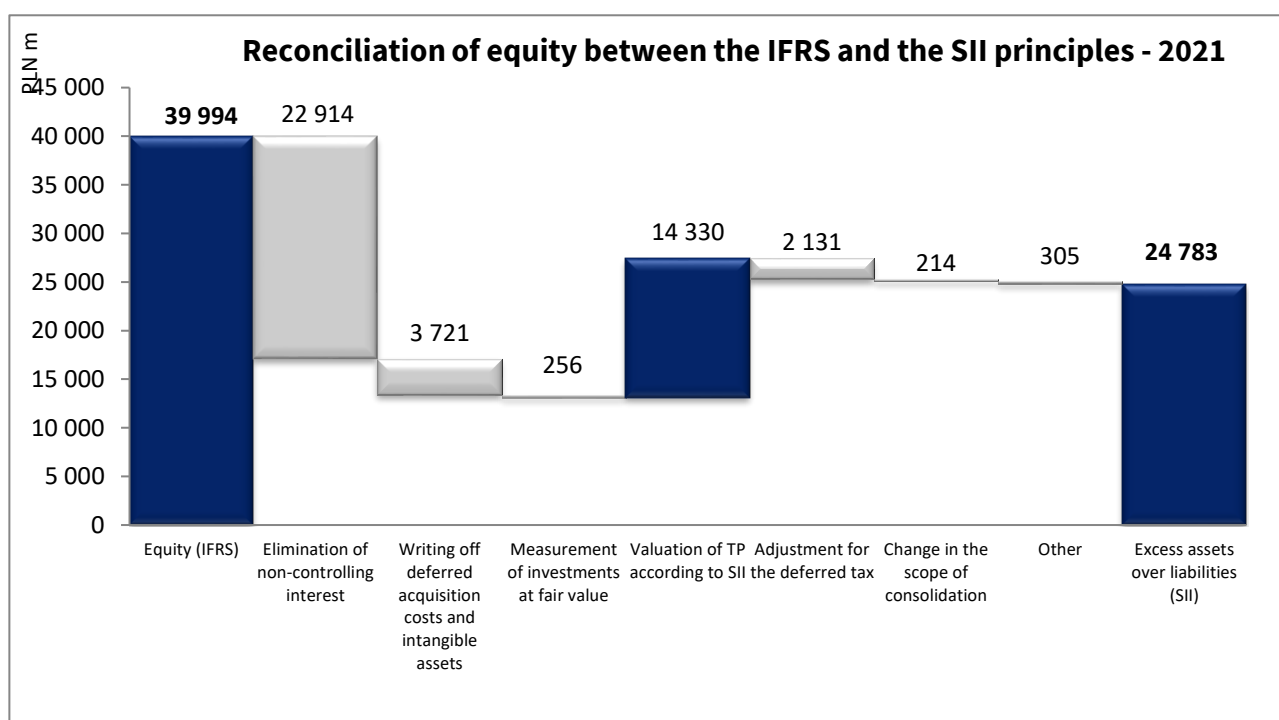
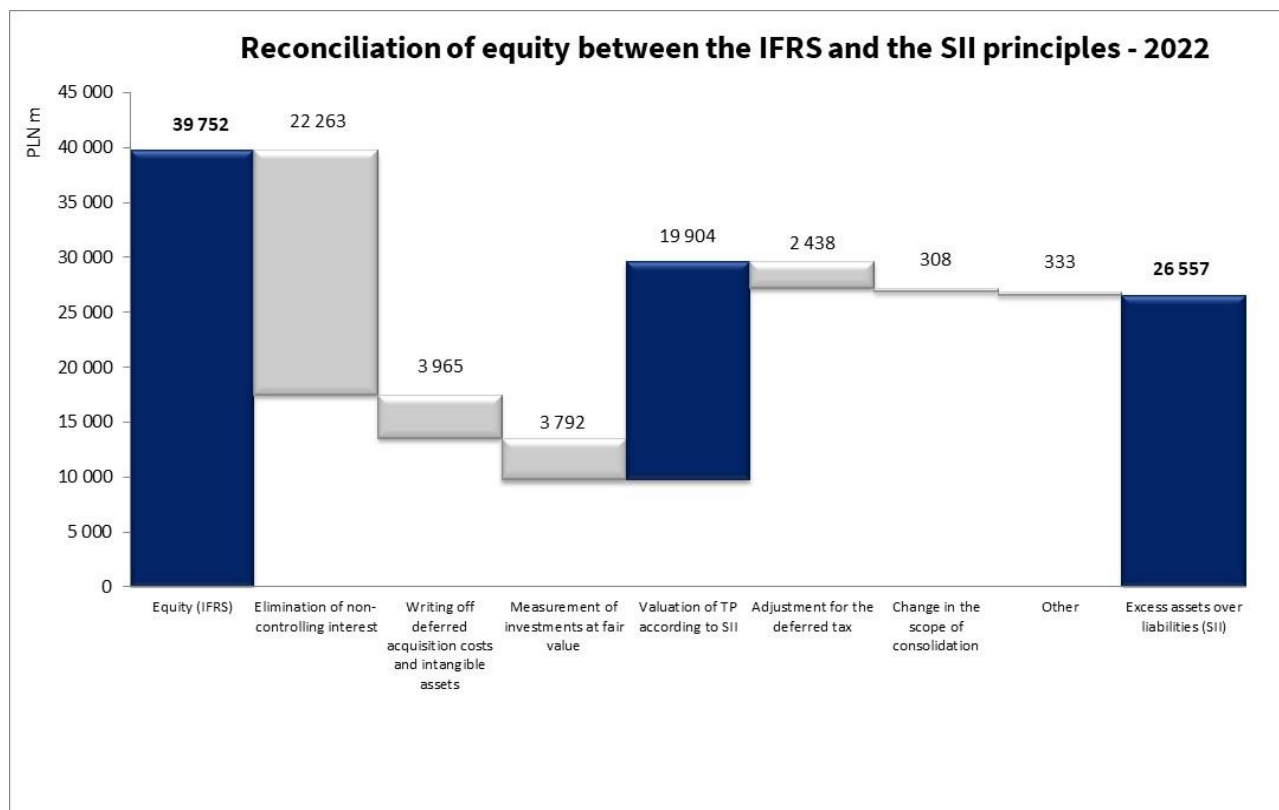
E.1.2.1. Reconciliation provision

The structure of significant items in the reconciliation provision is presented in the following table.

Reconciliation provision	31 December 2022 (PLN m)	31 December 2021 (PLN m)
Surplus of assets over liabilities, including:	26,557	24,783
Equity according to IFRS	39,752	39,994
SII measurement and change in the scope of consolidation	(13,195)	(15,211)
Anticipated dividends, disbursements and charges, including:	2,420	2,306
Anticipated dividend	2,072	1,960
Anticipated tax of financial institutions for the next 12 months for insurance undertakings	338	336
Charge for the Company Social Benefit Fund	10	10
Treasury shares	2	6
Other items of basic own funds	627	625
Share capital	86	86
Share premium account associated with share capital	538	538
Minority interest	3	1
Total reconciliation provision	23,508	21,846

E.1.3. Differences between the equity presented in the consolidated financial statements and the surplus of assets over liabilities calculated for solvency purposes

The titles of individual differences presented on the chart below are attributable to different rules of measuring assets and liabilities for solvency purposes, and in accordance with the IFRS as well as a different scope of consolidation – a detailed description of differences is presented in part D. of the SFCR.



E.1.4. Deferred taxes

As at 31 December 2022, the PZU Group reported, after a set-off (on a net basis), a deferred tax liability of PLN 3,033 million. Consequently, the PZU Group did not report an amount corresponding to the value of net deferred tax assets in category 3 of own funds.

The value of the deferred tax asset and liability is calculated using the balance sheet method, as a difference between the values assigned to economic balance sheet items recognized and measured in accordance with the methodology set forth in Solvency II and the values assigned to economic balance sheet items recognized and measured for tax purposes taking into account the CIT rates which are expected to apply when the asset or provision is realized in accordance with the provisions of tax law enacted in the state of establishment of the relevant PZU Group company before the end of the reporting period.

A deferred tax asset is recognized only in situations where it is probable that future taxable profit will be available for use against the deferred tax asset.

The PZU Group performs the netting of deferred tax assets and liabilities separately, for the tax group as a whole, or at the level of individual entities comprising the PZU Group (which are not members of the tax group).

E.2. Consolidated solvency capital requirement and minimum consolidated capital requirement

SCR of the PZU Group is calculated pursuant to Article 336 of the Delegated Regulation and consists of the following positions: a solvency capital requirement calculated on the basis of consolidated data following the rules laid down for the standard formula, the proportional share of the capital requirement (including hypothetical requirements) of undertakings from other financial sectors, the requirement for affiliated entities not consolidated by the full method in the economic balance sheet of the PZU Group.

The amounts of PZU Group's SCR and MCR at the end of the reporting period along with the amount of the solvency capital requirement broken down into risk modules are presented in form QRT S.25.01.22 constituting attachment 8 to the SFCR.

The following table presents the amounts of MCR and SCR as at 31 December 2022 and 31 December 2021.

Indicator	Value (in million PLN)		Change 2022/2021	
	31 December 2022	31 December 2021	(PLN m)	%
MCR	3,952	4,296	(344)	(8%)
SCR	11,003	11,142	(139)	(1%)

The SCR for the PZU Group increased by PLN 139 million on an annual basis and was driven by:

- a decrease in the capital requirement for other financial sectors by PLN 181 million, resulting primarily from the capital requirement for PTE PZU, which was reduced from 1.25% as at 31 December 2021 to 1% of the net assets of pension funds as at 31 December 2022;
- an increase in the capital solvency requirement calculated on a consolidated basis of PLN 44 million – which resulted from an increase in underwriting risk in non-life insurance and market risk, offset in part by a decrease in underwriting risk in life insurance – details of these changes are described in Part C;
- a decrease in the capital requirement for non-consolidated affiliated entities by PLN 2 million.

In 2022, a decrease in the MCR value was observed, driven mainly by a decrease in the minimum capital requirement in PZU due to lower capital requirements for that company.

The PZU Group does not apply any simplifications or specific parameters pursuant to Article 104(7) of the SII Directive.

The data for computation of the MCR are sourced from PZU Group companies' internal IT systems and are subject to internal controls relevant to the reporting process. The PZU Group's data quality assurance process is governed through, among other things, specification of roles and responsibilities in the SII system processes as well as the principles for management of quality of data, including the principles of monitoring the quality of data, and collection, processing and updating of data. The responsibility for strategic coordination of information management processes rests with the management board of each PZU Group company. The PZU Group's insurance undertakings apply a standard formula to calculate the SCR. The computation of the SCR is performed

in accordance with the regulations applicable to the SII system, with the assumption that the individual business units are a going concern. This computation encompasses the business activity which is currently being conducted as well as new activity which is expected to be launched within the next 12 months.

The significant group diversification effects as at 31 December 2022 resulted from diversification between:

- market risks and other risks: PLN 3,793 million;
- individual market risks, i.e. risks related to interest rates, shares, FX, concentration and real properties: PLN 1,755 million;
- individual underwriting risks of life insurance, i.e. mortality, longevity, morbidity, lapse rates, costs, revision of annuities as well as catastrophic risk: PLN 1,669 million;
- individual underwriting risks in non-life insurance, i.e. risks relating to premiums, provisions, lapses as well as catastrophic risk: PLN 1,563 million.

E.2.1. Loss-absorbing capacity of deferred taxes

The amount by which the SCR was reduced on account of the loss-absorbing capacity of deferred taxes as at the end of the reporting period was PLN 1,212 million compared to PLN 1,143 million as at 31 December 2021.

The PZU Group allocates the losses on account of the shock subject to the basic solvency capital requirement in line with the contribution of the modules and sub-modules of the standard formula to the basic solvency capital requirement. In the reporting period it was assumed that 50% of the losses on account of operational risk have the nature of tax deductible expenses.

The adjustment for the loss-absorbing capacity of deferred taxes is equal to the change in the value of deferred taxes of that would result from an instantaneous loss that is equal to the sum of:

- the basic solvency capital requirement;
- the adjustment for the loss-absorbing capacity of technical provisions; and
- the capital requirement for operational risk.

The PZU Group prepares an analysis of availability of future profits which will be available in the event of occurrence of the loss referred to in the preceding sentence. To prove the availability of future taxable income, it takes into account the planned (taken into account in PZU Group's 3-year financial forecast):

- profits from new insurance contracts (profits from new business);
- interest income from investments held to maturity – according to the contractual interest rate;
- income from other investments – according to the higher of the forward rates following from the risk-free interest rate term structure after incurring such loss.

E.3. Use of the duration-based equity price risk sub-module to calculate the solvency capital requirement

It is not applicable to the PZU Group.

E.4. Differences between the standard formula and the applied internal model

It is not applicable to the PZU Group.

E.5. Inconsistency with the minimum consolidated capital requirement and inconsistency with the consolidated solvency capital requirement

During 2022, there were no instances of breach of the SCR or the MCR of the PZU Group or any other entity conducting insurance activity in the PZU Group.

E.6. Additional information

The PZU Group's own funds are broken down into own funds of companies and groups belonging to other financial sectors.

In the case of the Pekao Group and Alior Bank Group, own funds included the own funds of these groups computed in accordance with the CRR taking into account the PZU Group's percentage share and decreased by the value of debt securities constituting subordinated liabilities of the Alior Bank Group and held by PZU Group companies.

Own funds of other financial sectors by entity are presented in the table.

Own funds of other financial sectors	Value (in million PLN)		Change 2022/2021	
	31 December 2022	31 December 2021	(PLN m)	%
Pekao Group	5,165	5,088	77	2%
Category 1	4,624	4,538	86	2%
Category 2 ¹⁾	541	550	(9)	(2%)
Alior Bank Group	2,133	2,178	(45)	(2%)
Category 1 ²⁾	1,952	1,923	29	2%
Category 2 ³⁾	181	255	(74)	(29%)
TFI PZU – Category 1	202	198	4	2%
PTE PZU – Category 1	320	312	8	3%
Total	7,820	7,776	44	1%

¹⁾ Subordinated liabilities of the Pekao Group with total value of PLN 2,750 million (PLN 2,750 million as at 31 December 2021) were issued in 2017–2019, and they will mature in the period from 2027 to 2033. The funds raised from the issue were designated, after obtaining approval from the Polish Financial Supervision Authority (KNF), for an increase in Pekao's supplementary funds pursuant to Article 127(2)(2) of the Banking Law and Article 63 of the Capital Requirements Regulation

²⁾ Including adjustment for debt securities held by PZU Group companies in the amount of PLN 36 million (as at 31 December 2021: PLN 54 million).

³⁾ Subordinated liabilities of the Alior Bank Group with total value of PLN 568 million (as at 31 December 2021: PLN 798 million) were issued in 2014–2017, and they will mature in the period from 2024 to 2025. The funds raised through the subordinated debt issue were designated – after obtaining consent from the Polish Financial Supervision Authority (KNF) – for an increase of Alior Bank's supplementary funds pursuant to Article 127(2)(2) of the Banking Law and Article 63 of the Capital Requirements Regulation;

Own funds of related business units not consolidated by the full method in the balance sheet according to SII rules are the component of the reconciliation provision presented in category 1 of own funds.

PZU Group's SCR, computed pursuant to Article 336 of the delegated regulation, is presented in the table below.

PZU Group SCR	Value (in million PLN)		Change 2022/2021	
	31 December 2022	31 December 2021	(PLN m)	%
Solvency capital requirement calculated on the basis of consolidated data	7,143	7,099	44	1%
Pro rata share of capital requirements (including hypothetical ones) of business units from other financial sectors	3,843	4,024	(181)	(4%)
Pekao Group	2,372	2,406	(34)	(1%)
Alior Bank Group	1,223	1,261	(38)	(3%)
PTE PZU	212	323	(111)	(34%)
TFI PZU	36	34	2	6%
Requirement for related business units not consolidated by the full method	17	19	(2)	(11%)
Total	11,003	11,142	(139)	(1%)

Attachments

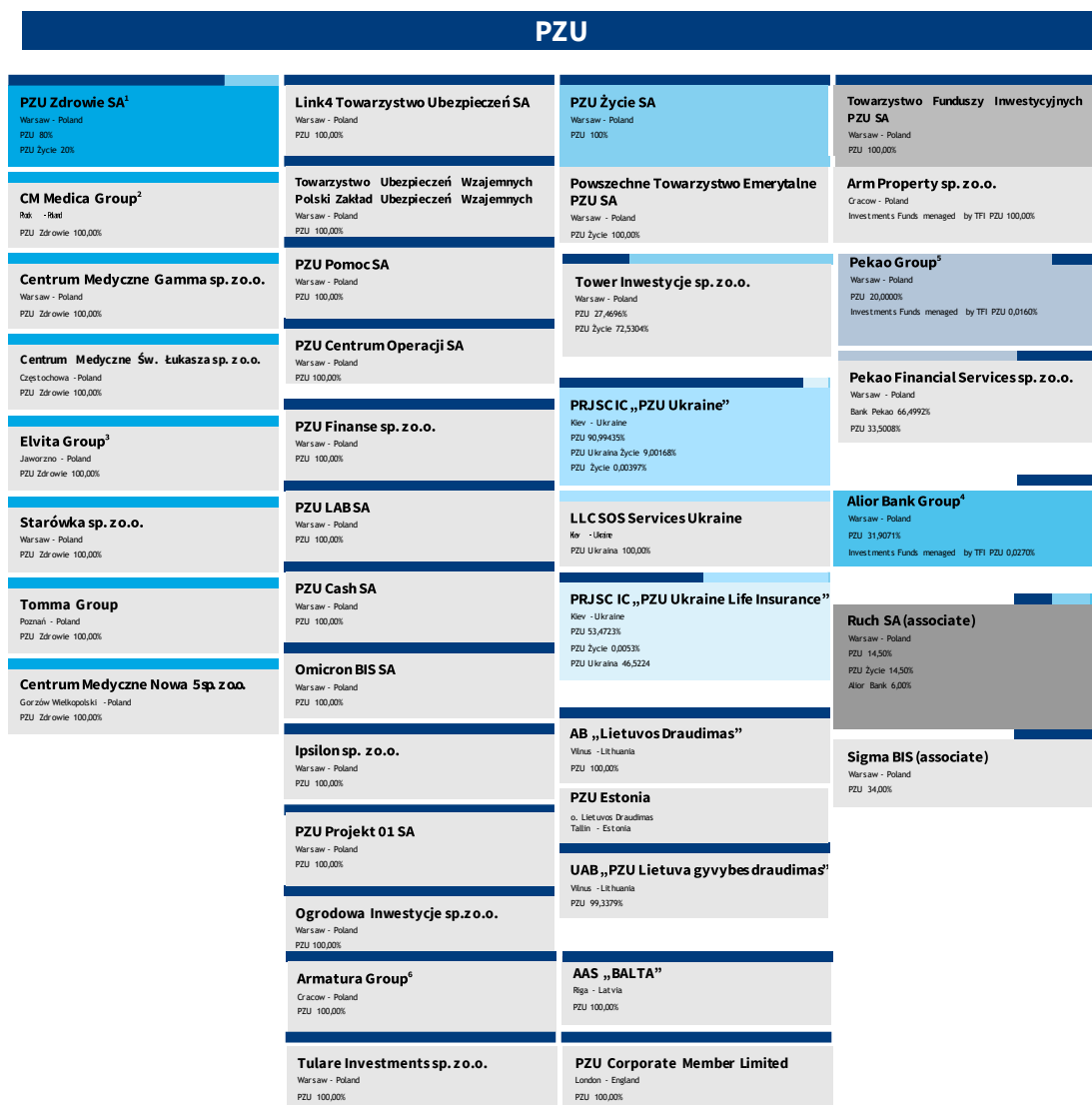
- 1) PZU Group's structure
- 2) Form S.32.01.22
- 3) Form S.05.01.02
- 4) Form S.05.02.01
- 5) Chart of PZU's organizational structure
- 6) Form S.02.01.02
- 7) Form S.23.01.22
- 8) Form S.25.01.22

Signatures of the PZU Management Board Members:

Full name	Position	
Beata Kozłowska-Chyła	President of the PZU Management Board	 (signature)
Tomasz Kulik	Member of the PZU Management Board	 (signature)
Ernest Bejda	Member of the PZU Management Board	 (signature)
Małgorzata Kot	Member of the PZU Management Board	 (signature)
Krzysztof Kozłowski	Member of the PZU Management Board	 (signature)
Piotr Nowak	Member of the PZU Management Board	 (signature)
Maciej Rapkiewicz	Member of the PZU Management Board	 (signature)
Małgorzata Sadurska	Member of the PZU Management Board	 (signature)

Warsaw, Wednesday, May 10, 2023

Structure of the PZU Group as of 31 December 2022



- The following branches operate within PZU Zdrowie SA: 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;
- The CM Medica Group consists of the following companies: Centrum Medyczne Medica sp. z o.o., Sanatorium Uzdrowskowe „Krystynka” sp. z o.o. with its registered office in Ciechocinek;
- 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;
- 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 Towarzystwo Funduszy Inwestycyjnych 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.;
- The Bank Pekao Group is composed of the following companies: 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 Property SA w likwidacji, FPB – Media sp. z o.o. w upadłości, Pekao Fundusz Kapitałowy sp. z o.o. w likwidacji, Pekao Investment Management SA (which holds 100% of shares in Pekao Towarzystwo Funduszy Inwestycyjnych SA), Krajowy Integrator Płatności SA (associate in PZU Group);

- 6) The Armatura Group is composed of the following companies: Armatura Kraków SA, AQ SA w likwidacji (until 15 July 2022 – Aquaform SA, on 1 January 2023, the Company's liquidation process was opened), Aquaform Ukraine TOW w likwidacji;
- 7) The Tomma Group is composed of the following companies: Tomma Diagnostyka Obrazowa SA, Bonus Diagnosta sp. z o.o.

The structure chart does not include:

- investment funds: PZU SFIO Universum, PZU FIZ Sektora Nieruchomości 2, PZU FIZ Aktywów Niepublicznych BIS 1, PZU FIZ Aktywów Niepublicznych BIS 2, inPZU Inwestycji Ostrożnych, inPZU Obligacje Polskie, inPZU Akcje Polskie, inPZU Akcji Rynków Rozwiniętych, inPZU Obligacji Rynków Rozwiniętych, inPZU Obligacji Rynków Wschodzących; inPZU Akcje Rynków Wschodzących; inPZU Akcje Amerykańskie; inPZU Akcje CEE plus; inPZU Puls Życia 2025, inPZU Puls Życia 2030, inPZU Puls Życia 2040, inPZU Puls Życia 2050, inPZU Puls Życia 2060, PZU FIZ Legato, inPZU Akcje Rynku Surowców, inPZU Akcje Rynku Złota, inPZU Akcje Sektora Zielonej Energii, inPZU Akcje Sektora Informatycznego, inPZU Akcje Sektora Nieruchomości, inPZU Akcje Europejskie, inPZU Obligacje Inflacyjne;
- subsidiary companies established under commercial law as special purpose controlled by the fund PZU FIZ Sektora Nieruchomości 2, which included 30 companies at 31 December 2022;
- company in liquidation: PZU Finance AB (publ.) in likwidation.

The Capital Group of Powszechny Zakład Ubezpieczeń SA
31-12-2022
S.32.01.22
Entities of the Group

								Criteria of influence						Inclusion in the scope of group		Group solvency calculation
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
POLAND	QLPCKOOKVX32FUELX240	LEI	Powszechny Zakład Ubezpieczeń SA	2 – Non-life insurance undertaking	spółka akcyjna	2 – Non-mutual	Polish Financial Supervisory Authority							1 – Included in the scope		1 – Method 1: Full consolidation
POLAND	549300TNSHGVU2UXO005	LEI	Powszechny Zakład Ubezpieczeń na Życie SA	1 – Life insurance undertaking	spółka akcyjna	2 – Non-mutual	Polish Financial Supervisory Authority	100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		1 – Method 1: Full consolidation
POLAND	2594000XGGIASU8W0021	LEI	Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych	2 – Non-life insurance undertaking	towarzystwo ubezpieczeń wzajemnych	1 – Mutual	Polish Financial Supervisory Authority	100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		1 – Method 1: Full consolidation
POLAND	2594001JSECH6MFMV96	LEI	Link4 Towarzystwo Ubezpieczeń SA	2 – Non-life insurance undertaking	spółka akcyjna	2 – Non-mutual	Polish Financial Supervisory Authority	100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		1 – Method 1: Full consolidation
LITHUANIA	259400LNAAVVBAGSC732	LEI	UAB „PZU Lietuva gyvybes draudimas”	1 – Life insurance undertaking	uždaroji akcinės bendrovė	2 – Non-mutual	Lietuvos Respublikos Centrinis Bankas	99,34%	100,00%	99,34%		1 – Dominant	100,00%	1 – Included in the scope		1 – Method 1: Full consolidation
LITHUANIA	529900SURJXJSY5O039	LEI	AB „Lietuvos draudimas”	2 – Non-life insurance undertaking	akcinės bendrovė	2 – Non-mutual	Lietuvos Respublikos Centrinis Bankas	100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		1 – Method 1: Full consolidation
LATVIA	2594003420RI47GCP59	LEI	AAS „BALTA”	2 – Non-life insurance undertaking	apdrošināšanas akciju sabiedrība	2 – Non-mutual	Finanšu un kapitāla tirgus komisija (FKTK)	100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		1 – Method 1: Full consolidation
UKRAINE	QLPCKOOKVX32FUELX240UA00001	SC	PRJSC IC „PZU Ukraine”	2 – Non-life insurance undertaking	Private Joint-Stock Company Insurance Company	2 – Non-mutual	State Financial Services Regulatory Commission	100,00%	100,00%	100,00%		1 – Dominant	0,00%	1 – Included in the scope		8 – Deduction of the participation in relation to Article 229 of Directive 2009/138/EC
UKRAINE	QLPCKOOKVX32FUELX240UA00002	SC	PRJSC IC „PZU Ukraine Life Insurance”	1 – Life insurance undertaking	Private Joint-Stock Company Insurance Company	2 – Non-mutual	State Financial Services Regulatory Commission	100,00%	100,00%	100,00%		1 – Dominant	0,00%	1 – Included in the scope		8 – Deduction of the participation in relation to Article 229 of Directive 2009/138/EC
POLAND	QLPCKOOKVX32FUELX240PL00003	SC	PZU Zdrowie SA	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	spółka akcyjna			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		1 – Method 1: Full consolidation
POLAND	QLPCKOOKVX32FUELX240PL00014	SC	Centrum Medyczne Medica sp. z o.o.	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		1 – Method 1: Full consolidation
POLAND	QLPCKOOKVX32FUELX240PL00016	SC	Sanatorium Uzdrowskowie „Krystynka” sp. z o.o.	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	spółka z ograniczoną odpowiedzialnością			99,09%	100,00%	99,09%		1 – Dominant	100,00%	1 – Included in the scope		1 – Method 1: Full consolidation
POLAND	QLPCKOOKVX32FUELX240PL00019	SC	Przedsiębiorstwo Świadczeń Zdrowotnych i Promocji Zdrowia ELVITA – Jaworzno III sp. z o.o.	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		1 – Method 1: Full consolidation
POLAND	QLPCKOOKVX32FUELX240PL00020	SC	Przedsiębiorstwo Usług Medycznych PROELMED sp. z o.o.	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	spółka z ograniczoną odpowiedzialnością			57,00%	100,00%	57,00%		1 – Dominant	100,00%	1 – Included in the scope		1 – Method 1: Full consolidation
POLAND	QLPCKOOKVX32FUELX240PL00023	SC	Centrum Medyczne Gamma sp. z o.o.	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		1 – Method 1: Full consolidation
POLAND	QLPCKOOKVX32FUELX240PL00085	SC	Centrum Medyczne św. Łukasza sp. z o.o.	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		1 – Method 1: Full consolidation
POLAND	QLPCKOOKVX32FUELX240PL00094	SC	Starówka sp. z o.o.	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		1 – Method 1: Full consolidation
POLAND	QLPCKOOKVX32FUELX240PL00095	SC	Tomma Diagnostyka Obrazowa SA	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	spółka akcyjna			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		1 – Method 1: Full consolidation
POLAND	QLPCKOOKVX32FUELX240PL00097	SC	Bonus-Diagnosta sp. z o.o.	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		1 – Method 1: Full consolidation

								Criteria of influence						Inclusion in the scope of group		Group solvency calculation
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
POLAND	QLPCKOOKVX32FUELX240PL00105	SC	Centrum Medyczne Nowa 5 sp. z o.o.	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		1 – Method 1: Full consolidation
POLAND	259400QHDQZWMJ103294	LEI	Alior Bank SA	8 – Credit institution, investment firm and financial institution	spółka akcyjna		Polish Financial Supervisory Authority	31,93%	100,00%	31,93%	Dispersed ownership, analysis of historical voting at Alior Bank Shareholder Meeting, which allows us to conduct that PZU will be able to vote on its draft resolutions, the presence of PZU affiliates in the Management Board and the Supervisory Board of Alior Bank	1 – Dominant	31,93%	1 – Included in the scope		4 – Method 1: Sectoral rules
POLAND	QLPCKOOKVX32FUELX240PL00072	SC	Alior Services sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			31,93%	100,00%	31,93%		1 – Dominant	31,93%	1 – Included in the scope		4 – Method 1: Sectoral rules
POLAND	259400LJMVOM5R39CH51	LEI	Alior Leasing sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			31,93%	100,00%	31,93%		1 – Dominant	31,93%	1 – Included in the scope		4 – Method 1: Sectoral rules
POLAND	QLPCKOOKVX32FUELX240PL00068	SC	Meritum Services ICB SA	99 – Other	spółka akcyjna			31,93%	100,00%	31,93%		1 – Dominant	31,93%	1 – Included in the scope		4 – Method 1: Sectoral rules
POLAND	259400S0AA2ZIASJVQ03	LEI	Alior Towarzystwo Funduszy Inwestycyjnych SA	14 – UCITS management companies as defined in Article 1 (54) of Delegated Regulation (EU) 2015/35	spółka akcyjna			31,93%	100,00%	31,93%		1 – Dominant	31,93%	1 – Included in the scope		4 – Method 1: Sectoral rules
POLAND	QLPCKOOKVX32FUELX240PL00071	SC	Absource sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			31,93%	100,00%	31,93%		1 – Dominant	31,93%	1 – Included in the scope		4 – Method 1: Sectoral rules
POLAND	QLPCKOOKVX32FUELX240PL00081	SC	AL Finance sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			31,93%	100,00%	31,93%		1 – Dominant	31,93%	1 – Included in the scope		4 – Method 1: Sectoral rules
POLAND	QLPCKOOKVX32FUELX240PL00090	SC	Corsham sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			31,93%	100,00%	31,93%		1 – Dominant	31,93%	1 – Included in the scope		4 – Method 1: Sectoral rules
POLAND	QLPCKOOKVX32FUELX240PL00091	SC	RBL_VC sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			31,93%	100,00%	31,93%		1 – Dominant	31,93%	1 – Included in the scope		4 – Method 1: Sectoral rules
POLAND	QLPCKOOKVX32FUELX240PL00099	SC	RBL_VC sp. z o.o. ASI SKA	99 – Other	spółka komandytowo-akcyjna			31,93%	100,00%	31,93%		1 – Dominant	31,93%	1 – Included in the scope		4 – Method 1: Sectoral rules
POLAND	5493000LKS7B3UTF7H35	LEI	Bank Pekao SA	8 – Credit institution, investment firm and financial institution	spółka akcyjna		Polish Financial Supervisory Authority	20,02%	100,00%	20,02%	Dispersed ownership, analysis of historical voting at Pekao Shareholder Meeting, which allows us to conduct that PZU will be able to vote on its draft resolutions, the presence of PZU affiliates in the Management Board and the Supervisory Board of Pekao	1 – Dominant	20,02%	1 – Included in the scope		4 – Method 1: Sectoral rules
POLAND	259400XMADFBWNS6OM54	LEI	Pekao Bank Hipoteczny SA	8 – Credit institution, investment firm and financial institution	spółka akcyjna		Polish Financial Supervisory Authority	20,02%	100,00%	20,02%		1 – Dominant	20,02%	1 – Included in the scope		4 – Method 1: Sectoral rules
POLAND	259400AAET9FC5CL2814	LEI	Pekao Leasing sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			20,02%	100,00%	20,02%		1 – Dominant	20,02%	1 – Included in the scope		4 – Method 1: Sectoral rules
POLAND	2594007U1UD2WFTX3635	LEI	Pekao Investment Banking SA	99 – Other	spółka akcyjna			20,02%	100,00%	20,02%		1 – Dominant	20,02%	1 – Included in the scope		4 – Method 1: Sectoral rules
POLAND	259400YAP3J2ZN0JG15	LEI	Pekao Faktoring sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			20,02%	100,00%	20,02%		1 – Dominant	20,02%	1 – Included in the scope		4 – Method 1: Sectoral rules

								Criteria of influence						Inclusion in the scope of group		Group solvency calculation
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
POLAND	Z59400FF02A3NDWGPW83	LEI	Centrum Kart SA	99 – Other	spółka akcyjna			20,02%	100,00%	20,02%		1 – Dominant	20,02%	1 – Included in the scope		4 – Method 1: Sectoral rules
POLAND	Z5940077CMG4PILPF298	LEI	Pekao Financial Services sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			46,81%	100,00%	46,81%		1 – Dominant	46,81%	1 – Included in the scope		4 – Method 1: Sectoral rules
POLAND	Z59400U6AJMP6FKY9Q36	LEI	Pekao Direct sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			20,02%	100,00%	20,02%		1 – Dominant	20,02%	1 – Included in the scope		4 – Method 1: Sectoral rules
POLAND	QLPCKOOKVX32FUELX240PL00075	SC	Pekao Property SA w likwidacji	99 – Other	spółka akcyjna			20,02%	100,00%	20,02%		1 – Dominant	20,02%	1 – Included in the scope		4 – Method 1: Sectoral rules
POLAND	QLPCKOOKVX32FUELX240PL00076	SC	FPB – Media sp. z o.o. w upadłości	99 – Other	spółka z ograniczoną odpowiedzialnością			20,02%	100,00%	20,02%		1 – Dominant	20,02%	1 – Included in the scope		4 – Method 1: Sectoral rules
POLAND	QLPCKOOKVX32FUELX240PL00077	SC	Pekao Fundusz Kapitałowy sp. z o.o. w likwidacji	99 – Other	spółka z ograniczoną odpowiedzialnością			20,02%	100,00%	20,02%		1 – Dominant	20,02%	1 – Included in the scope		4 – Method 1: Sectoral rules
POLAND	Z594002O4BTNF58BC69	LEI	Pekao Investment Management SA	99 – Other	spółka akcyjna			20,02%	100,00%	20,02%		1 – Dominant	20,02%	1 – Included in the scope		4 – Method 1: Sectoral rules
POLAND	Z594007WGSVD1L30E70	LEI	Pekao Towarzystwo Funduszy Inwestycyjnych SA	14 – UCITS management companies as defined in Article 1 (54) of Delegated Regulation (EU) 2015/35	spółka akcyjna			20,02%	100,00%	20,02%		1 – Dominant	20,02%	1 – Included in the scope		4 – Method 1: Sectoral rules
POLAND	QLPCKOOKVX32FUELX240PL00101	SC	Krajowy Integrator Płatności SA	99 – Other	spółka akcyjna			7,67%	38,33%	7,67%		2 – Significant	7,67%	1 – Included in the scope		4 – Method 1: Sectoral rules
POLAND	QLPCKOOKVX32FUELX240PL00103	SC	PEUF sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			20,02%	100,00%	20,02%		1 – Dominant	20,02%	1 – Included in the scope		4 – Method 1: Sectoral rules
POLAND	Z59400BX7JAKQMQUVM48	LEI	Powszechne Towarzystwo Emerytalne PZU SA	11 – Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	spółka akcyjna			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		4 – Method 1: Sectoral rules
POLAND	QLPCKOOKVX32FUELX240PL00001	SC	PZU Centrum Operacji SA	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	spółka akcyjna			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		1 – Method 1: Full consolidation
POLAND	S49300I4B1CR8KDREL11	LEI	Towarzystwo Funduszy Inwestycyjnych PZU SA	14 – UCITS management companies as defined in Article 1 (54) of Delegated Regulation (EU) 2015/35	spółka akcyjna			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		4 – Method 1: Sectoral rules
POLAND	QLPCKOOKVX32FUELX240PL00002	SC	PZU Pomoc SA	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	spółka akcyjna			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		1 – Method 1: Full consolidation
SWEDEN	QLPCKOOKVX32FUELX240SE00001	SC	PZU Finance AB (publ.) in likwidation	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	aktiebolag			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		1 – Method 1: Full consolidation
POLAND	QLPCKOOKVX32FUELX240PL00010	SC	PZU Finanse sp. z o.o.	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		1 – Method 1: Full consolidation
POLAND	QLPCKOOKVX32FUELX240PL00005	SC	Tower Inwestycje sp. z o.o.	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		1 – Method 1: Full consolidation
POLAND	QLPCKOOKVX32FUELX240PL00006	SC	Ogródowa-Inwestycje sp. z o.o.	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		1 – Method 1: Full consolidation
POLAND	QLPCKOOKVX32FUELX240PL00030	SC	ARM Property sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
POLAND	QLPCKOOKVX32FUELX240PL00007	SC	Ipsilon sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
UNITED KINGDOM	QLPCKOOKVX32FUELX240PL00084	SC	PZU Corporate Member Limited	99 – Other	limited			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
POLAND	QLPCKOOKVX32FUELX240PL00008	SC	PZU LAB SA	99 – Other	spółka akcyjna			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method

								Criteria of influence						Inclusion in the scope of group		Group solvency calculation
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
POLAND	QLPCKOOKVX32FUELX240PL00009	SC	Omicron Bis SA	99 – Other	spółka akcyjna			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
UKRAINE	QLPCKOOKVX32FUELX240UA00003	SC	LLC SOS Services Ukraine	99 – Other	LLC			100,00%	100,00%	100,00%		1 – Dominant	0,00%	1 – Included in the scope		8 – Deduction of the participation in relation to Article 229 of Directive 2009/138/EC
POLAND	QLPCKOOKVX32FUELX240PL00082	SC	PZU CASH SA	99 – Other	spółka akcyjna			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
POLAND	QLPCKOOKVX32FUELX240PL00083	SC	Tulare Investments sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
POLAND	QLPCKOOKVX32FUELX240PL00100	SC	PZU Projekt 01 SA	99 – Other	spółka akcyjna			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
POLAND	QLPCKOOKVX32FUELX240PL00024	SC	Sigma BIS SA	99 – Other	spółka akcyjna			34,00%	34,00%	34,00%		2 – Significant	34,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
POLAND	259400R52THLS1WJTP08	LEI	Armatura Kraków SA	99 – Other	spółka akcyjna			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
POLAND	QLPCKOOKVX32FUELX240PL00073	SC	AQ SA	99 – Other	spółka akcyjna			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
UKRAINE	QLPCKOOKVX32FUELX240UA00004	SC	Aquaform Ukraine TOW w likwidacji	99 – Other	TOW			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
POLAND	259400VSKLALWME4LX25	LEI	RUCH SA	99 – Other	spółka akcyjna			30,92%	30,92%	30,92%		2 – Significant	30,92%	1 – Included in the scope		3 – Method 1: Adjusted equity method
POLAND	549300DFZ7156SQV8Z23	LEI	PZU SFIO Universum	99 – Other	przedsiębiorstwo zbiorowego inwestowania			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		10 – Other method
POLAND	549300T3VSS5NN63GY54	LEI	PZU FIZ Sektora Nieruchomości 2	99 – Other	przedsiębiorstwo zbiorowego inwestowania			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		10 – Other method
POLAND	549300W34JPGJYF8G192	LEI	PZU FIZ Aktywów Niepublicznych BIS 1	99 – Other	przedsiębiorstwo zbiorowego inwestowania			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		10 – Other method
POLAND	549300F2F8Q3QZ81C08	LEI	PZU FIZ Aktywów Niepublicznych BIS 2	99 – Other	przedsiębiorstwo zbiorowego inwestowania			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		10 – Other method
POLAND	25940095LU8UF64ZSS57	LEI	inPZU Inwestycji Ostrożnych	99 – Other	przedsiębiorstwo zbiorowego inwestowania			58,14%	100,00%	58,14%		1 – Dominant	57,47%	1 – Included in the scope		10 – Other method
POLAND	259400X5C3V2BQC5JE09	LEI	inPZU Obligacje Polskie	99 – Other	przedsiębiorstwo zbiorowego inwestowania			56,05%	100,00%	56,05%		1 – Dominant	56,05%	1 – Included in the scope		10 – Other method
POLAND	259400GQRRS9HFJS0608	LEI	inPZU Akcje Polskie	99 – Other	przedsiębiorstwo zbiorowego inwestowania			41,95%	100,00%	41,95%		1 – Dominant	41,95%	1 – Included in the scope		10 – Other method
POLAND	259400I7WW3R3XQZM316	LEI	inPZU Akcje Rynków Rozwiniętych	99 – Other	przedsiębiorstwo zbiorowego inwestowania			45,52%	100,00%	45,52%		1 – Dominant	45,52%	1 – Included in the scope		10 – Other method
POLAND	259400H119L7VZJGTQ86	LEI	inPZU Obligacje Rynków Rozwiniętych	99 – Other	przedsiębiorstwo zbiorowego inwestowania			23,63%	100,00%	23,63%		1 – Dominant	23,56%	1 – Included in the scope		10 – Other method
POLAND	259400TP50EWK1K81T71	LEI	inPZU Obligacje Rynków Wschodzących	99 – Other	przedsiębiorstwo zbiorowego inwestowania			87,46%	100,00%	87,46%		1 – Dominant	87,43%	1 – Included in the scope		10 – Other method
POLAND	259400FRCZ1L6601OY45	LEI	inPZU Akcje Rynków Wschodzących	99 – Other	przedsiębiorstwo zbiorowego inwestowania			45,59%	100,00%	45,59%		1 – Dominant	45,48%	1 – Included in the scope		10 – Other method
POLAND	259400GQO0FNSBFVUP03	LEI	inPZU Akcje Amerykańskie	99 – Other	przedsiębiorstwo zbiorowego inwestowania			41,60%	100,00%	41,60%		1 – Dominant	40,95%	1 – Included in the scope		10 – Other method

								Criteria of influence						Inclusion in the scope of group		Group solvency calculation
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
POLAND	259400V71AGOH951L750	LEI	inPZU Akcje CEEplus	99 – Other	przedsiębiorstwo zbiorowego inwestowania			71,64%	100,00%	71,64%		1 – Dominant	71,64%	Included in the scope	1 –	10 – Other method
POLAND	259400BUR0005T8MW344	LEI	inPZU Puls Zycia 2025	99 – Other	przedsiębiorstwo zbiorowego inwestowania			48,23%	100,00%	48,23%		1 – Dominant	48,23%	Included in the scope	1 –	10 – Other method
POLAND	259400Z373C3EU198D11	LEI	inPZU Puls Zycia 2030	99 – Other	przedsiębiorstwo zbiorowego inwestowania			75,34%	100,00%	75,34%		1 – Dominant	75,34%	Included in the scope	1 –	10 – Other method
POLAND	259400G6HQ11BL7EJ270	LEI	inPZU Puls Zycia 2040	99 – Other	przedsiębiorstwo zbiorowego inwestowania			40,63%	100,00%	40,63%		1 – Dominant	40,63%	Included in the scope	1 –	10 – Other method
POLAND	2594005O4K0AQX1DCQ22	LEI	inPZU Puls Zycia 2050	99 – Other	przedsiębiorstwo zbiorowego inwestowania			21,46%	100,00%	21,46%		1 – Dominant	21,46%	Included in the scope	1 –	10 – Other method
POLAND	259400B771491YEGN235	LEI	inPZU Puls Zycia 2060	99 – Other	przedsiębiorstwo zbiorowego inwestowania			45,01%	100,00%	45,01%		1 – Dominant	45,01%	Included in the scope	1 –	10 – Other method
POLAND	259400779DCLNW3I232	LEI	PZU FIZ Legato	99 – Other	przedsiębiorstwo zbiorowego inwestowania			39,71%	100,00%	39,71%		1 – Dominant	39,71%	Included in the scope	1 –	10 – Other method
POLAND	2594008LWXD3PLX5SC54	LEI	inPZU Akcje Rynku Surowców	99 – Other	przedsiębiorstwo zbiorowego inwestowania			68,82%	100,00%	68,82%		1 – Dominant	68,80%	Included in the scope	1 –	10 – Other method
POLAND	259400LU0GOPJ8DNX354	LEI	inPZU Akcje Rynku Złota	99 – Other	przedsiębiorstwo zbiorowego inwestowania			69,90%	100,00%	69,90%		1 – Dominant	69,90%	Included in the scope	1 –	10 – Other method
POLAND	259400UC1LCBLZLLF741	LEI	inPZU Akcje Sektora Zielonej Energii	99 – Other	przedsiębiorstwo zbiorowego inwestowania			73,73%	100,00%	73,73%		1 – Dominant	73,73%	Included in the scope	1 –	10 – Other method
POLAND	2594006JXEDVKUEHTR03	LEI	inPZU Akcje Sektora Informatycznego	99 – Other	przedsiębiorstwo zbiorowego inwestowania			80,18%	100,00%	80,18%		1 – Dominant	80,18%	Included in the scope	1 –	10 – Other method
POLAND	259400NAVZ03WPKHAW95	LEI	inPZU Akcje Sektora Nieruchomości	99 – Other	przedsiębiorstwo zbiorowego inwestowania			95,07%	100,00%	95,07%		1 – Dominant	95,07%	Included in the scope	1 –	10 – Other method
POLAND	259400R9BPDZN14R7I42	LEI	inPZU Akcje Europejskie	99 – Other	przedsiębiorstwo zbiorowego inwestowania			85,23%	100,00%	85,23%		1 – Dominant	85,23%	Included in the scope	1 –	10 – Other method
POLAND	259400CKITYI4NEBQC17	LEI	inPZU Obligacje Inflacyjne	99 – Other	przedsiębiorstwo zbiorowego inwestowania			80,43%	100,00%	80,43%		1 – Dominant	80,43%	Included in the scope	1 –	10 – Other method
POLAND	QLPCKOOKVX32FUELX240PL00086	SC	EBP 1 sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	Included in the scope	1 –	3 – Method 1: Adjusted equity method
POLAND	QLPCKOOKVX32FUELX240PL00031	SC	EBP 2 sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	Included in the scope	1 –	3 – Method 1: Adjusted equity method
POLAND	QLPCKOOKVX32FUELX240PL00038	SC	PH3 sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	Included in the scope	1 –	3 – Method 1: Adjusted equity method
POLAND	2594000MQPY8NCDZA336	LEI	PH3 sp. z o.o. SKA	99 – Other	spółka komandytowo-akcyjna			100,00%	100,00%	100,00%		1 – Dominant	100,00%	Included in the scope	1 –	3 – Method 1: Adjusted equity method
POLAND	QLPCKOOKVX32FUELX240PL00040	SC	Portfel Alliance Silesia I Bis sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	Included in the scope	1 –	3 – Method 1: Adjusted equity method
POLAND	QLPCKOOKVX32FUELX240PL00041	SC	Portfel Alliance Silesia III sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	Included in the scope	1 –	3 – Method 1: Adjusted equity method
POLAND	2594001AH5IWS76VA966	LEI	Portfel Alliance Silesia IV sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	Included in the scope	1 –	3 – Method 1: Adjusted equity method
POLAND	QLPCKOOKVX32FUELX240PL00043	SC	Portfel Alliance Silesia V sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	Included in the scope	1 –	3 – Method 1: Adjusted equity method

								Criteria of influence						Inclusion in the scope of group		Group solvency calculation
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
POLAND	QLPCKOOKVX32FUELX240PL00044	SC	Portfel Alliance Silesia VII sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
POLAND	259400PV2LUXBPHQE85	LEI	Portfel PB 1 sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
POLAND	2594001FO7SXLpz4TQ03	LEI	Portfel PB 2 sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
POLAND	259400PZV1JPUV8IV32	LEI	Portfel PH 2 sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
POLAND	QLPCKOOKVX32FUELX240PL00048	SC	EBP 3 sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
POLAND	QLPCKOOKVX32FUELX240PL00049	SC	Ogrody Lubicz sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
POLAND	259400L56HFJLUQPG54	LEI	Portfel PH 1 sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
POLAND	QLPCKOOKVX32FUELX240PL00051	SC	Portfel PM 1 sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
POLAND	QLPCKOOKVX32FUELX240PL00052	SC	3 PB 1 sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
POLAND	QLPCKOOKVX32FUELX240PL00053	SC	3 PB 1 sp. z o.o. SKA	99 – Other	spółka komandytowo-akcyjna			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
POLAND	QLPCKOOKVX32FUELX240PL00054	SC	Portfel 2 PH 5 sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
POLAND	2594005XILMZWXAN0Y31	LEI	2 PB 1 sp. z o.o. SKA	99 – Other	spółka komandytowo-akcyjna			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
POLAND	259400A21W72N1XFNK30	LEI	2 PB 2 sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
POLAND	2594001V07JSB7NXG908	LEI	2 PM 1 sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
POLAND	259400S8OHSTMVJD6N02	LEI	2 PM 2 sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
POLAND	259400J4AWYM4CEREX86	LEI	2 PM 3 sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
POLAND	259400P3E1KRCQETC281	LEI	2 PM 4 sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
POLAND	259400NN56N6V7LUMX54	LEI	2 PM 5 sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
POLAND	QLPCKOOKVX32FUELX240PL00062	SC	2 PB 1 sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
POLAND	259400T1TSOSKD18W29	LEI	2 PB 3 sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
POLAND	259400CRZML21T72F923	LEI	2 PB 4 sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
POLAND	QLPCKOOKVX32FUELX240PL00065	SC	2 PB 5 sp. z o.o.	99 – Other	spółka z ograniczoną odpowiedzialnością			100,00%	100,00%	100,00%		1 – Dominant	100,00%	1 – Included in the scope		3 – Method 1: Adjusted equity method

The Capital Group of Powszechny Zakład Ubezpieczeń

Spółka Akcyjna

31-12-2022

5.05.01.02

Premiums, claims and expenses by line of business (in PLN thousand)

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of Business for: accepted non-proportional reinsurance					Total
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property		
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200	
Premiums written																		
Gross — Direct Business	R0110	224 581	700 059	-	5 466 351	4 583 626	198 103	4 307 164	1 029 172	98 892	14 385	692 773	455 940					17 771 046
Gross — Proportional reinsurance accepted	R0120	-	12	-	1 430	(257)	4 583	10 961	6 465	-	-	-	749					23 943
Gross — Non-proportional reinsurance accepted	R0130													17	1 994	87	1 629	3 727
Reinsurers' share	R0140	174	71 745	-	47 391	52 564	98 450	957 429	105 045	43 823	-	4 214	302 826	16	739	(121)	783	1 685 078
Net	R0200	224 407	628 326	-	5 420 390	4 530 805	104 236	3 360 696	930 592	55 069	14 385	688 559	153 863	1	1 255	208	846	16 113 638
Premiums earned																		
Gross — Direct Business	R0210	198 971	675 956	-	5 384 298	4 241 334	161 582	3 864 304	967 705	113 624	13 681	634 912	313 695					16 570 062
Gross — Proportional reinsurance accepted	R0220	-	14	-	5 846	2 599	3 152	7 289	5 160	-	-	-	9 416					33 476
Gross — Non-proportional	R0230													24	1 216	475	5 950	7 665
Reinsurers' share	R0240	150	39 973	-	42 592	44 045	73 712	723 101	81 272	42 480	-	3 968	163 880	24	428	164	2 410	1 218 199
Net	R0300	198 821	635 997	-	5 347 552	4 199 888	91 022	3 148 492	891 593	71 144	13 681	630 944	159 231	-	788	311	3 540	15 393 004
Claims incurred																		
Gross — Direct Business	R0310	155 692	115 266	-	3 113 054	2 440 596	50 235	1 683 470	452 016	122 171	2 020	232 813	903 072					9 270 405
Gross — Proportional reinsurance accepted	R0320	-	(28)	-	161	1 228	937	(6 396)	1 927	-	-	-	60 599					58 428
Gross — Non-proportional	R0330													(11)	(1 774)	(63)	10 717	8 869
Reinsurers' share	R0340	103	344	-	47 571	22 805	20 727	319 791	58 441	12 373	-	1 396	865 333	11	1 252	45	4 488	1 354 680
Net	R0400	155 589	114 894	-	3 065 644	2 419 019	30 445	1 357 283	395 502	109 798	2 020	231 417	98 338	(22)	(3 026)	(108)	6 229	7 983 022
Changes in other technical provisions																		
Gross — Direct Business	R0410	-	(23)	-	(2)	(3)	-	(108)	(28)	-	-	-	(2 840)					(3 004)
Gross — Proportional reinsurance accepted	R0420	-	-	-	-	-	-	-	-	-	-	-	-					-
Gross — Non-proportional	R0430													-	-	-	-	-
Reinsurers' share	R0440	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net	R0500	-	(23)	-	(2)	(3)	-	(108)	(28)	-	-	-	(2 840)					(3 004)
Expenses incurred	R0550	49 832	318 226	-	1 780 948	1 316 675	37 967	1 271 549	402 626	36 551	7 593	259 043	101 187	12	8 349	156	3 889	5 594 603
Other expenses	R1200																	30 125
Total expenses	R1300																	5 624 728

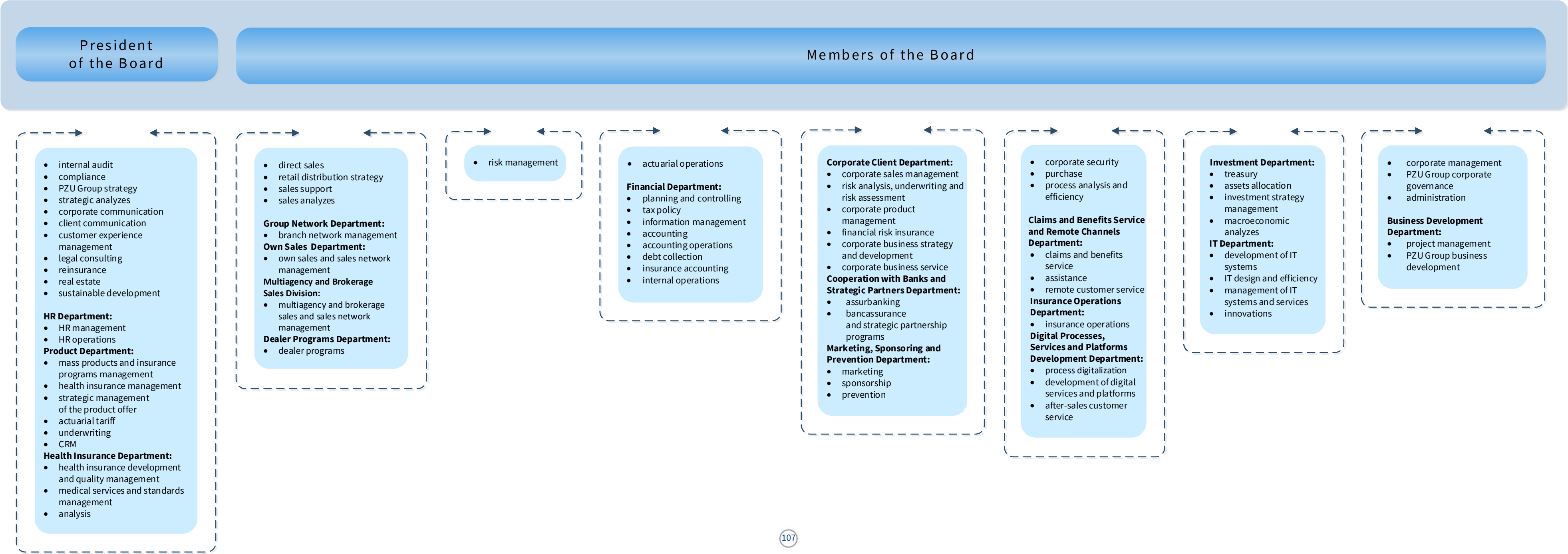
		Line of Business for: life insurance obligations						Life reinsurance obligations		Total							
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance								
C0210		C0220		C0230		C0240		C0250		C0260		C0270		C0280		C0300	
Premiums written																	
Gross		R1410	608 856	428 105	542 158	7 171 249	-	-	-	-	-	-	-	-	-	-	8 750 368
Reinsurers' share		R1420	841	54	81	2 452	-	-	-	-	-	-	-	-	-	-	3 428
Net		R1500	608 015	428 051	542 077	7 168 797	-	-	-	-	-	-	-	-	-	-	8 746 940
Premiums earned																	
Gross		R1510	608 670	427 051	542 270	7 195 784	-	-	-	-	-	-	-	-	-	-	8 773 775
Reinsurers' share		R1520	841	54	81	2 452	-	-	-	-	-	-	-	-	-	-	3 428
Net		R1600	607 829	426 997	542 189	7 193 332	-	-	-	-	-	-	-	-	-	-	8 770 347
Claims incurred																	
Gross		R1610	328 770	378 153	1 162 778	4 583 374	-	429 065	-	-	-	-	-	4 180	-	-	6 886 320
Reinsurers' share		R1620	310	-	(27)	43	-	(9 803)	-	-	-	-	-	-	-	-	(9 477)
Net		R1700	328 460	378 153	1 162 805	4 583 331	-	438 868	-	-	-	-	-	4 180	-	-	6 895 797
Changes in other technical provisions																	
Gross		R1710	1	56 862	1 240 582	(718 596)	-	-	-	-	-	-	-	-	-	-	578 849
Reinsurers' share		R1720	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net		R1800	1	56 862	1 240 582	(718 596)	-	-	-	-	-	-	-	-	-	-	578 849
Expenses incurred		R1900	172 434	99 141	54 460	1 383 764	-	19 581	-	-	-	-	-	3 158	-	-	1 732 538
Other expenses		R2500															13 222
Total expenses		R2600															1 745 760

The Capital Group of Powszechny Zakład Ubezpieczeń
Spółka Akcyjna
31-12-2022
S.05.02.01
Premiums, claims and expenses by country (in PLN thousand)

		Home Country	Top 5 countries (by amount of gross premiums written) – non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
R0010		POLAND	LITHUANIA					
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross — Direct Business	R0110	15 469 432	1 250 089	-	-	-	-	16 719 521
Gross — Proportional reinsurance accepted	R0120	21 262	(1 147)	-	-	-	-	20 115
Gross — Non-proportional reinsurance accepted	R0130	314	(7 252)	-	-	-	-	(6 938)
Reinsurers' share	R0140	1 590 782	37 733	-	-	-	-	1 628 515
Net	R0200	13 900 226	1 203 957	-	-	-	-	15 104 183
Premiums earned								
Gross — Direct Business	R0210	14 491 439	1 142 124	-	-	-	-	15 633 563
Gross — Proportional reinsurance accepted	R0220	24 257	(1 046)	-	-	-	-	23 211
Gross — Non-proportional	R0230	388	(5 686)	-	-	-	-	(5 298)
Reinsurers' share	R0240	1 139 109	27 502	-	-	-	-	1 166 611
Net	R0300	13 376 975	1 107 890	-	-	-	-	14 484 865
Claims incurred								
Gross — Direct Business	R0310	8 131 252	624 180	-	-	-	-	8 755 432
Gross — Proportional reinsurance accepted	R0320	3 927	265	-	-	-	-	4 192
Gross — Non-proportional	R0330	2 370	4 128	-	-	-	-	6 498
Reinsurers' share	R0340	1 283 890	6 719	-	-	-	-	1 290 609
Net	R0400	6 853 659	621 854	-	-	-	-	7 475 513
Changes in other technical provisions								
Gross — Direct Business	R0410	(3 004)	-	-	-	-	-	(3 004)
Gross — Proportional reinsurance accepted	R0420	-	-	-	-	-	-	-
Gross — Non-proportional	R0430	-	-	-	-	-	-	-
Reinsurers' share	R0440	-	-	-	-	-	-	-
Net	R0500	(3 004)	-	-	-	-	-	(3 004)
Expenses incurred	R0550	4 895 037	376 506	-	-	-	-	5 271 543
Other expenses	R1200							30 125
Total expenses	R1300							5 301 668

		Home Country	Top 5 countries (by amount of gross premiums written) – non-life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C02010
R1400		POLAND	LITHUANIA					
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	R1410	8 646 185	104 183	-	-	-	-	8 750 368
Reinsurers' share	R1420	3 157	271	-	-	-	-	3 428
Net	R1500	8 643 028	103 912	-	-	-	-	8 746 940
Premiums earned								
Gross	R1510	8 669 592	104 183	-	-	-	-	8 773 775
Reinsurers' share	R1520	3 157	271	-	-	-	-	3 428
Net	R1600	8 666 435	103 912	-	-	-	-	8 770 347
Claims incurred								
Gross	R1610	6 862 860	30 954	-	-	-	-	6 893 814
Reinsurers' share	R1620	(8 108)	(984)	-	-	-	-	(9 092)
Net	R1700	6 870 968	31 938	-	-	-	-	6 902 906
Changes in other technical provisions								
Gross	R1710	586 111	(7 262)	-	-	-	-	578 849
Reinsurers' share	R1720	-	-	-	-	-	-	-
Net	R1800	586 111	(7 262)	-	-	-	-	578 849
Expenses incurred	R1900	1 699 898	32 640	-	-	-	-	1 732 538
Other expenses	R2500							13 222
Total expenses	R2600							1 745 760

POWSZECHNY ZAKŁAD UBEZPIECZEŃ SPÓŁKA AKCYJNA
organizational structure



The Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna		
31-12-2022		
S.02.01.02		
Balance sheet (PLN in thousand)		
		Solvency II value
		C0010
Assets		
Intangible assets	R0030	-
Deferred tax assets	R0040	21 439
Pension benefit surplus	R0050	-
Property, plant & equipment held for own use	R0060	2 061 917
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	50 193 210
Property (other than for own use)	R0080	154 021
Holdings in related undertakings, including participations	R0090	20 337 245
Equities	R0100	924 472
Equities — listed	R0110	921 445
Equities — unlisted	R0120	3 027
Bonds	R0130	26 999 580
Government Bonds	R0140	24 020 607
Corporate Bonds	R0150	2 978 973
Structured notes	R0160	-
Collateralised securities	R0170	-
Collective Investments Undertakings	R0180	953 832
Derivatives	R0190	89 478
Deposits other than cash equivalents	R0200	734 582
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	5 013 006
Loans and mortgages	R0230	3 766 435
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	3 766 435
Reinsurance recoverables from:	R0270	1 275 274
Non-life and health similar to non-life	R0280	1 156 003
Non-life excluding health	R0290	1 135 576
Health similar to non-life	R0300	20 427
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	119 435
Health similar to life	R0320	(2 553)
Life excluding health and index-linked and unit-linked	R0330	121 988
Life index-linked and unit-linked	R0340	(164)
Deposits to cedants	R0350	-
Insurance and intermediaries receivables	R0360	424 908
Reinsurance receivables	R0370	35 673
Receivables (trade, not insurance)	R0380	546 942
Own shares (held directly)	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in.	R0400	-
Cash and cash equivalents	R0410	436 688
Any other assets, not elsewhere shown	R0420	290 659
Total assets	R0500	64 066 151
Liabilities		
Technical provisions — non-life	R0510	13 869 216
Technical provisions — non-life (excluding health)	R0520	13 570 929
TP calculated as a whole	R0530	-
Best Estimate	R0540	12 787 589
Risk margin	R0550	783 340
Technical provisions — health (similar to non-life)	R0560	298 287
TP calculated as a whole	R0570	-
Best Estimate	R0580	288 008
Risk margin	R0590	10 279
Technical provisions — life (excluding index-linked and unit-linked)	R0600	10 221 079
Technical provisions — health (similar to life)	R0610	(133 346)
TP calculated as a whole	R0620	-
Best Estimate	R0630	(157 064)
Risk margin	R0640	23 718
Technical provisions — life (excluding health and index-linked and unit-linked)	R0650	10 354 425
TP calculated as a whole	R0660	-
Best Estimate	R0670	9 350 556
Risk margin	R0680	1 003 869
Technical provisions — index-linked and unit-linked	R0690	4 629 607
TP calculated as a whole	R0700	183 975
Best Estimate	R0710	4 363 320
Risk margin	R0720	82 312
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	106 065
Pension benefit obligations	R0760	29 092
Deposits from reinsurers	R0770	-
Deferred tax liabilities	R0780	3 054 097
Derivatives	R0790	318 419
Debts owed to credit institutions	R0800	46 618
Financial liabilities other than debts owed to credit institutions	R0810	706 165
Insurance & intermediaries payables	R0820	297 284
Reinsurance payables	R0830	14 498
Payables (trade, not insurance)	R0840	614 902
Subordinated liabilities	R0850	2 349 392
Subordinated liabilities not in BOF	R0860	-
Subordinated liabilities in BOF	R0870	2 349 392
Any other liabilities, not elsewhere shown	R0880	1 253 074
Total liabilities	R0900	37 509 508
Excess of assets over liabilities	R1000	26 556 643

The Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna

31-12-2022

S.25.01.22

Solvency Capital Requirement — for groups on Standard Formula (PLN in thousand)

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	3 733 948		-
Counterparty default risk	R0020	300 977		-
Life underwriting risk	R0030	2 416 040	-	-
Health underwriting risk	R0040	372 281	-	-
Non-life underwriting risk	R0050	4 488 332	-	-
Diversification	R0060	(3 793 508)		
Intangible asset risk	R0070	-		
Basic Solvency Capital Requirement	R0100	7 518 070		

Calculation of Solvency Capital Requirement

		C0100
Operational risk	R0130	837 011
Loss-absorbing capacity of technical provisions	R0140	-
Loss-absorbing capacity of deferred taxes	R0150	(1 212 160)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency capital requirement excluding capital add-on	R0200	7 142 921
Capital add-on already set	R0210	-
Solvency capital requirement	R0220	11 003 422
Other information on SCR		-
Capital requirement for duration-based equity risk sub-module	R0400	-
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	-
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	-
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	-
Diversification effects due to RFF nSCR aggregation for article 304	R0440	-
Minimum consolidated group solvency capital requirement	R0470	3 952 279
Information on other entities		-
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	3 843 270
Capital requirement for other financial sectors (Non-insurance capital requirements) — Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	R0510	3 631 061
Capital requirement for other financial sectors (Non-insurance capital requirements) — Institutions for occupational retirement provisions	R0520	-
Capital requirement for other financial sectors (Non-insurance capital requirements) — Capital requirement for non-regulated entities carrying out financial activities	R0530	212 209
Capital requirement for non-controlled participation requirements	R0540	-
Capital requirement for residual undertakings	R0550	17 231
Overall SCR		-
SCR for undertakings included via D and A	R0560	-
Solvency capital requirement	R0570	11 003 422